

CURRENT HISTORY

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Latin America, 1984

- The United States and Latin America—*Richard Millett* 49
Political Change in El Salvador?—*Enrique A. Baloyra* 54
Nicaragua and Honduras: Toward Garrison States—*Mark B. Rosenberg* 59
Brazilian Democracy and the Foreign Debt—*Eul-Soo Pang* and *Laura Jarnagin* 63
Chile's Political Instability—*Arturo Valenzuela* 68
The Crisis of Venezuelan Democracy—*John D. Martz* 73
Peru: The Shadow of the Shining Path—*David P. Werlich* 78

- Book Reviews—*On Latin America* 83
The Month in Review—*Country by Country, Day by Day* 91
Map—*Latin America*—Inside Back Cover

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Coming Next Month

AFRICA SOUTH OF THE SAHARA

March, 1984

Political and economic developments in sub-Saharan Africa are explored in our March issue. The impact of drought, civil war and constitutional change are among the topics discussed in the following articles:

U.S. Policy in Southern Africa

by MICHAEL CLOUGH, Naval Postgraduate School

Zimbabwe

by VIRGINIA CURTIN KNIGHT, Consulting Editor,
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Chad

by RENÉ LEMARCHAND, University of Florida

Ethiopia

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Nigeria

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Mozambique

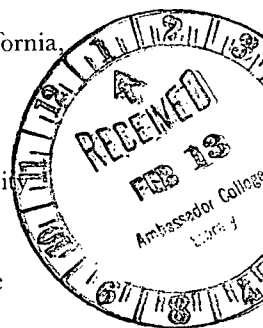
by MICHAEL RADU, Foreign Policy Research Institute,
Philadelphia

Superpower Diplomacy: Arming Africa

by FRANK M. CHITEJI, Ohio State University

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Current History

FEBRUARY, 1984

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Revolutionary violence, democratic reforms, and the management of foreign debts are among the Latin American problems discussed in this issue. In 1983, United States policy in the region, according to our lead article, "had succeeded in halting the spread of radical revolutions in the Caribbean and Central America . . . but had made no discernible progress in dealing with the region's massive . . . problems that provided the impetus for revolutionary violence."

The United States and Latin America

BY RICHARD MILLETT

Professor of History, Southern Illinois University

THE October, 1983, invasion of Grenada was the most visible but by no means the only critical problem for United States relations with Latin America and the Caribbean during 1983. There were regional crises, both major and minor. In addition, there were reports of conflicts within the administration of President Ronald Reagan over Latin American policies.

The problems varied widely. Many were economic, including the massive debt plaguing most Latin American nations, soaring rates of unemployment, and high inflation rates in many nations. Others were political. The United States was concerned about anti-government demonstrations in Chile, elections in Argentina, and a military coup in Guatemala. But the central focus was security: the United States fears of growing Communist influence in Grenada, Nicaragua, Suriname, and even Bolivia, and perceptions that the Soviet Union was using these nations to subvert their neighbors. United States security interests governed the Reagan administration's defense of its policies in El Salvador, Honduras and eventually Grenada and provided the focus for much of the heated public and congressional debate over Latin American policy.

Arguments raged within the Reagan administration as well as between the administration and its critics. Differences over the tactics finally adopted to defend United States security interests in the hemisphere reportedly influenced the replacement of Thomas Enders, Assistant Secretary of State for Inter-American Affairs, and were rumored to have influenced the selection of a new United States military commander for Latin America (U.S.

Southern Command).¹ Administration policies also contributed to sharp disagreements between the United States and other democratic nations of the hemisphere and even provoked discord with European NATO (North Atlantic Treaty Organization) allies.

The emphasis on security and anti-communism had several effects. It gave United States policy an increasingly negative cast. Most observers understood what the United States opposed in the Western Hemisphere; it was much less clear what positive alternatives it favored. The Reagan administration gave higher priority to short-range threats than to long-range problems. Even when the seriousness of underlying factors was recognized, as in the case of the debt crisis, much of the United States response seemed to be largely a holding action, another exercise in crisis management. The major exception to this pattern was the Caribbean Basin Initiative, but that was a 1982 policy that was partially delayed by congressional inaction until 1983. Similar new initiatives were noticeably lacking.²

SHIFTING POLICIES

The administration gave overwhelming attention to events in Central America and in Grenada. But even in Central America policies appeared to shift during the year and varied from nation to nation. For the hemisphere as a whole it was probably more accurate to speak of a series of policies rather than a policy. These policies were, of course, interrelated, and drew much of their substance from common ideological suppositions. But they were sufficiently distinct in tone, in emphasis, and in levels of official attention to make it useful to think in terms of many policies instead of a coherent single policy. The Reagan administration used various policies to confront a variety of crises.

For much of 1983, Latin America was reduced to little more than Central America and the Caribbean Basin in

¹Morton Kondracke, "Ender's End," *The New Republic*, June 27, 1983, pp. 7-10.

²For a critique of the renewed emphasis on anti-Communist security concerns, see Abraham Lowenthal, "Change the Agenda," *Foreign Policy* (Fall, 1983), pp. 64-77.

public debates and official documents. In some ways, South America seemed almost to disappear from the Washington horizon. Both the congressional presentation of Security Assistance Programs for Fiscal Year (FY) 1984 and Secretary of Defense Casper Weinberger's annual Defense Department Report for FY1984 discussed United States interests in Asia, Africa, the Middle East, Central America and the Caribbean Basin, but virtually ignored South America.³

This relative inattention contrasted with the focus on South America provided by President Reagan's late 1982 visit to Brazil and Colombia. Conversations then had covered a wide range of topics, with particular attention to the debt and the economic crisis. At that time, United States policy had been particularly concerned about the debt situation in Argentina, Mexico and Brazil. Mexico's prospects improved during 1983, leaving Argentina and Brazil as the nations most likely to default.⁴ United States policy increasingly emphasized the role of the International Monetary Fund (IMF) and of private banks and based much of its hopes for recovery on a rapid turnaround in the economies of the developed nations. In 1983, Ronald Reagan's conversion from an IMF critic to a strong advocate of additional IMF funding probably helped avert default, but it also associated the United States ever more closely with the IMF's highly unpopular fiscal policies, whose virtually forced adoption led to rising rates of unemployment and greater suffering for most of Latin America's population.

The mid-1983 replacement of Thomas Enders as Assistant Secretary of State for Inter-American Affairs by Langhorne Motley, previously Ambassador to Brazil, raised some expectations that South America and especially Brazil might receive more high-level attention, but such was not the case. The limited attention paid to the growing social and political problems of the area in general and Brazil in particular alarmed some observers.

This was compounded by a growing gap between the United States and traditional allies like Brazil and Colombia over policies in Central America. Early in 1983, the Brazilian and Mexican Presidents met and issued a joint statement critical of United States policy and pointedly noting that they, too, had vital interests in the

region. The virtual ignoring of such protests led one leading scholar of United States-Latin American relations to warn that current policies "might regain Grenada while alienating Brazil and other key countries."⁵

Neglect was not without its benefits. When Colonel Daysi Bouterse ruthlessly eliminated his rivals in Suriname in December, 1982, the United States resisted pressures for strong, unilateral action. Instead, Brazil was given a relatively free hand to try to counter growing Cuban influence by combining economic and military incentives with quiet pressures. As a result, Bouterse's decision to expel the Cuban Ambassador and most of his aides in October, 1983, may have been propelled by events in Grenada, but it was made a far more viable option by the actions of Brazil.

Politics were also a concern. The slow return to more democratic structures in Brazil, national elections in Argentina and Venezuela, and local elections in Peru all signaled or seemed likely to signal a shift to the left in South America.⁶ The Argentine elections were a source of special concern, first over whether they would take place and later over the future course of United States-Argentine relations and internal civil-military relations in Argentina. In the post-Malvinas/Falklands atmosphere, the United States had little influence over Argentina. Policy options were reduced to debates about whether it would be better to cater to the military and certify Argentina for United States military sales and training before power was transferred to civilians, or whether the United States should appeal to the new civilian leaders by withholding certification until after President Raúl Alfonsín's inauguration.

If the workings of the electoral process produced concern about Argentina, the lack of an electoral process in Chile created greater difficulties. The Chilean economy declined throughout 1983 and, as conditions worsened, the opponents of President Augusto Pinochet took their protests to the streets. By summer, virtually all elements of the population, except the military and the bureaucracy, were demanding basic changes in economic policies and an accelerated return to democracy. As protests mounted, even the Reagan administration began to voice qualified criticism of the Chilean dictatorship and urged more moderate policies and a political dialogue. Earlier plans to press for a human-rights certification that Chile was once again eligible for United States military sales and assistance were quietly shelved. But, as was so often the case in South America, both will and influence for stronger measures seemed in short supply. By the end of the year, internal tensions were still rising in Chile; the economy was continuing to deteriorate; and the long-dormant left was reviving while the United States could only sit on the sidelines and offer occasional, unsolicited advice.⁷

There were other problems in South America. Guerrillas continued to cause problems in Colombia and expanded their activities in Peru. Bolivia's government

³Caspar W. Weinberger, U.S. Secretary of Defense, *Annual Report to the Congress, Fiscal Year 1984* (Washington, D.C.: United States Government Printing Office). The security assistance presentation for FY1984 did devote attention to individual South American countries, but its general introductory section ignored the region.

⁴For a detailed examination of the debt situation see Pedro Pablo Kuczynski, "Latin American Debt: Act Two," *Foreign Affairs* (Summer, 1983), pp. 17-38.

⁵Lowenthal, *op. cit.*, p. 77.

⁶For a study of the political problems in southern South America see Riordan Roett, "Return to Democracy? Brazil and the Southern Cone," *SAIS Review* (Summer/Fall, 1983), pp. 59-70.

⁷See Paul E. Sigmund, "The Rise and Fall of the Chicago Boys in Chile," *SAIS Review* (Summer/Fall, 1983), pp. 41-58.

moved toward the left amid rumblings of the possibility of yet another military coup. Venezuela's border dispute with Guyana remained a potential source of conflict. United States relations with Venezuela and Colombia were increasingly strained over policies in Central America, especially after Assistant Secretary of State Enders inexplicably made public Venezuela's role in training El Salvador's army. Yet Washington's attention remained firmly fixed on events further to the north.

Some attention, of course, had to be devoted to Mexico, whose proximity, size and economic importance insured that it could not be ignored. In addition, in 1983 President Reagan had launched a determined campaign to woo Hispanic voters, providing further motivation for devoting special attention to Mexico. The nations' Presidents met in August, 1983, and, despite wide differences over Central America and basic economic policies, preserved a general atmosphere of cooperation and cordiality. There were concrete reasons for the friendliness. After a few months of severe difficulty, Mexico's economy was showing signs of turning around. The United States had contributed to this situation by expanding oil purchases, accelerating payments, and extending increased credits for the purchase of American products. These were far from disinterested gestures, since a failing Mexican economy had cost the United States hundreds of millions of dollars in exports and tens of thousands of jobs, especially in border areas. Mexico's economic difficulties had also accelerated the troublesome flow of undocumented aliens heading north. But whatever the motivations, the benefits were concrete and served to underscore the deep economic interdependence of the two nations.

Although the threat of crisis in Mexico receded, border issues continued to fester. Basic differences remained in trade policy and the gap between the two nations' positions on Central America remained at least as wide as ever. Most fundamental was the United States inability to deal with immigration and undocumented alien issues. The United States Congress again avoided action on an immigration bill and with elections ahead neither the President nor the Congress seemed likely to press for action on immigration in 1984.

In 1983, Panama presented a few special problems. In February, there was a strange clash between the Commander of Panama's National Guard and would-be President, General Ruben Darío Paredes, and the United States ambassador to Panama. General Paredes accused the ambassador and another embassy official of interfering in the Guard's internal affairs and demanded, in no uncertain terms, that such practices cease. Ambassador Everett Briggs denied the accusations and relations

turned cool. General Paredes found that his planned visit to Washington had been postponed and his welcome, when he eventually came, was less than enthusiastic. Panamanian protests over the United States use of military bases in Panama for operations in Central America caused additional problems. There was also friction over some aspects of the Panama Canal Treaties and over the apparent deadlock in efforts to negotiate an extended stay in Panama for the United States Army's School of the Americas.⁸ Finally, a sharp break between Paredes and General Manuel Antonio Noriega, who succeeded Paredes as the Guard's commander in August, raised fears of political instability.

Most of these fears proved of brief duration. General Noriega won his struggle with Paredes, who faded from the political scene, abandoning his plans to run for President in 1984. The negotiations over the School of the Americas were suddenly concluded successfully on terms acceptable to Washington. Panama became increasingly critical of Nicaragua and Cuba and showed signs of wanting to take an active part in a revived Central American Defense Council (CONDECA). Friction over aspects of Canal administration remained and might intensify in 1984 when United States civilian employees will lose their commissary privileges. A sharp economic decline also gave rise to some concern. But on the whole, at the end of 1983, Panama was a relatively bright spot in United States-Latin American relations.

Events in South America, Mexico and Panama, however, remained essentially a sideshow; both the Reagan administration and its critics devoted most of their attention to the Caribbean and Central America. In the Caribbean Basin, the year's most noteworthy accomplishment was the long-delayed final passage of the trade and investment portions of the Caribbean Basin Initiative. The economic assistance sections of the bill establishing the CBI had been passed the previous September, but wrangling over specific exemptions from United States tariffs, concern over the possible impact on Puerto Rico and the Virgin Islands, and a host of other factors had held up the rest of the package. In the process, the CBI's impact was somewhat watered down although Congress, in its wisdom and perhaps its thirst, saw fit to add duty-free status to all Caribbean rums. In any case, the impact of continued recession in the region and spreading violence in Central America and in Grenada seemed likely to severely limit the CBI's impact, at least in the short run. Nonetheless passage signaled a victory for the administration, which could claim that at least one important part of its policy was non-military.⁹

Relations between the United States and Cuba in 1983 could best be described as frozen before the invasion of Grenada and much worse afterwards. For the Reagan administration, Cuba remained a menace. Cuban support for a negotiated political solution to the Central American crisis, its support for the efforts of the Conadadora Group (Colombia, Mexico, Panama and Vene-

⁸The School of the Americas, the principal United States facility for training Latin American officers, was located at Fort Gulick which was slated to revert to Panama in late 1984.

⁹For details on the debate see Richard E. Feinberg, Richard Newfarmer, and Bernadette Orr, "The Battle Over the CBI," *Caribbean Review* (Summer, 1983), pp. 15-18, 47.

zuela) to ease tensions in the area, and even Cuban hints of a willingness to negotiate differences with the United States were dismissed by Washington as insincere, insufficient or irrelevant. United States-Cuban relations were discussed with African states, with Central American states, and even with Maurice Bishop when he was Prime Minister of Grenada, but they were never officially discussed with Cuba.

THE GRENADA INVASION

The key to United States involvement in the Caribbean in 1983 was the American invasion of Grenada in October. From the Reagan administration's point of view this operation was a major success. It was visualized as vindicating a tough approach, countering Cuban influence in the region and restoring American credibility throughout the Caribbean Basin. The expulsion of the Cuban presence from Grenada was seen as the elimination of a significant security threat to the entire region and as reclaiming a piece of the Western Hemisphere from the Communists.

The reactions of those outside the Reagan administration were considerably more mixed. As would be expected, the Cuban, the Nicaraguan, and the Guyanese governments denounced the invasion as an illegal exercise of imperialist aggression. While their vocabulary was milder, most Latin American nations joined the criticism. Only El Salvador and the six Eastern Caribbean nations who had joined in the invasion sided with the United States in voting against the November 2 United Nations' resolution "deeply deploring" the intervention. A few other nations, like Guatemala, abstained and expressed understanding, but most nations of the hemisphere, including almost all the Latin American democracies, were outspokenly critical. Their criticisms were echoed by some members of the United States Congress and by many members of NATO, including Great Britain.

Criticisms focused on a variety of issues. Many Latin Americans feared that Grenada signaled a revival of American armed interventionism. The British were upset by the way in which basic decisions regarding United States action in a Commonwealth nation were made before they were consulted, which left the government of Prime Minister Margaret Thatcher vulnerable to strong political criticism of Britain's ties to the United States. Still other European allies feared that the Grenada invasion represented a growing disposition on the part of the United States to use force to resolve international problems, a perception that might increase public fears over NATO's decision to deploy intermediate-range nuclear missiles in Europe.

Underlying much of the world's concern over Grenada was the fear that the relative success of that operation might encourage the United States to attempt a similar action in Nicaragua. Even some critics who ultimately expressed support for the action in Grenada, like Congressman Michael Barnes (D., Md.), the chairman of the

House Foreign Affairs Committee's Subcommittee on Inter-American Affairs, made it clear that there were virtually no parallels between the situation in Grenada and the situation in Nicaragua.

The ultimate impact of the Grenada intervention on United States relations with the rest of the hemisphere is difficult to evaluate. Some observers argue that it will discredit Cuban influence in the region and force Nicaragua's leaders to adopt a more moderate, accommodating position. Others believe that the long-range impact will be to polarize the region and to increase the influence of extreme leftist elements in Nicaragua. The situation in Grenada might accentuate already existing divisions within the Commonwealth Caribbean, threatening the future of regional political and economic ties, and it might also weaken the already shaky structure of the Organization of American States (OAS). Much of the long-range significance will depend on the pace and nature of United States withdrawal from the island, the degree of freedom and openness in subsequent elections and, most of all, on the perceived influence or lack of influence of Grenada on developments in Central America.

CENTRAL AMERICA

Despite the temporary diversion provided by the fighting in Grenada, it was clear that in 1983, as in the preceding several years, the central focus of United States policy in Latin America remained the ongoing crisis in Central America. United States policy in that region occasioned sharp debates in Congress, gained major attention from the mass media, and showed increasing potential for becoming a major issue in the 1984 presidential campaign. Major problems involved United States relations with El Salvador, Guatemala, Honduras, and Nicaragua. Only Belize and Costa Rica remained relatively stable.

At the start of 1983, the major issue appeared to be United States military assistance to El Salvador. Pressures to negotiate a solution to that conflict were growing in the Congress and public opinion polls showed low levels of support for current policies. The situation was further exacerbated by persistent reports of the poor performance of the Salvadoran military, by continued concerns over the failure to curb human rights violations or to prosecute those involved in previous crimes, and growing political infighting in El Salvador's government and military. There appeared to be growing paralysis in the Salvadoran Constituent Assembly, a situation that ultimately forced postponement of the presidential elections scheduled for 1983; there was also a bitter dispute between General Guillermo García, the defense minister, and Colonel Sigfrido Ochoa, the departmental commander in Cabañas, a dispute that was ultimately resolved with the retirement of García and the virtual diplomatic exile of Ochoa.

As conditions in El Salvador deteriorated, the Reagan administration's requests for military and economic

assistance increased. Hearings in March produced a barrage of attacks on current policy.¹⁰ At the same time, United States actions in Central America were further called into question by revelations of major CIA (United States Central Intelligence Agency) funding and training of anti-Sandinista insurgents operating out of Honduras. Divisions began to appear within the administration itself. In February, Assistant Secretary of State Enders reportedly began to argue for a two-track policy combining military aid with moves towards negotiations. This policy was strongly opposed by Judge William Clark, the President's National Security Adviser, and by United States Ambassador to the United Nations Jeane Kirkpatrick. This dispute may have contributed to the replacement of both Enders and of the United States Ambassador to El Salvador, Deane Hinton.

In April, the President defended his Central American policy in an address to a joint session of Congress. Attempting to assuage American fears of a repeat of the Vietnam experience, President Reagan declared that "There is no thought of sending American combat troops to Central America: they are not needed." He declared that United States goals in Latin America were the support of democracy, economic development, regional security and a commitment to dialogue and negotiations. As a symbol of this last pledge, he agreed to appoint a special ambassador at large to the region.¹¹ His choice for the post, former Senator Richard Stone (D., FL.), aroused anxiety in some quarters because of his previous hard-line positions. The Democrats criticized aspects of the President's speech, notably its lack of clear support for the Contadora Group, its failure to address the issue of support for Nicaraguan counterrevolutionaries (*contras*), and its emphasis on military assistance.¹²

The issue of United States support for the Contadora Group, which was trying to mediate the conflicts in Cen-

tral America, became increasingly heated in 1983. The group's proposals included an end to arms traffic and major weapons sales, a ban on the assistance of insurgent forces by nations in the region, an end to foreign military bases, and, ultimately, a withdrawal of all foreign military advisers. The Contadora Group also stressed the need for economic development and integration and "national reconciliation efforts," the protection of human rights and the establishment of "democratic representative and pluralistic systems."¹³ The United States gave verbal support to these proposals and to the group's efforts to promote negotiations between the nations of the region, but many of its actions seemed designed to circumvent or undercut the actual negotiating process.

Tensions continued to mount throughout the summer and fall of 1983. United States policy seemed to veer from week to week with moves toward negotiation and statements of support for the Contadoras alternating with an ever-escalating military involvement in the region. Congressional debate grew increasingly acrimonious as critics of the administration increased their efforts to place limits on the assistance to regional armed forces and, most especially, to the Nicaraguan *contras*. The debate was particularly bitter in the House, where Democrats on the Foreign Affairs, Appropriations, and Select Intelligence Committees, supported by a few Republicans, made repeated efforts to cut funding for covert activities against Nicaragua.¹⁴ A leading figure in this fight was Congressman Thomas Boland (D.) of Massachusetts, chairman of the Select Intelligence Committee. Effective congressional curbs, however, were blocked by the Republican-controlled Senate.

In June, the United States announced plans to dispatch United States Special Forces to Honduras to set up a training program for military units from El Salvador. This was coupled with plans to hold large-scale maneuvers and joint military exercises in Honduras, operations that would last for several months and involve over 5,000 U.S. military personnel. At the same time, the Nicaraguan *contras* sharply stepped up their attacks on Nicaragua, operating out of bases in Honduras and Costa Rica. At his June 28 press conference, President Reagan, apparently backing away from the pledge made in his April address to Congress, refused to rule out the possible involvement of United States combat troops in Central America. A few days later, there was a major demonstration in Washington against the growing United States involvement in Central America. Perhaps even more significant were the remarks of retiring Army Chief of Staff, General Edward C. Meyer, who warned of the

(Continued on page 84)

¹⁰For examples see "El Salvador Military and Economic Reprogramming," Subcommittee of the Committee on Appropriations, United States Senate, 98th Congress (Washington, D.C.: United States Government Printing Office) and "Foreign Assistance and Related Programs Appropriations for 1984," Subcommittee on Appropriations, House of Representatives, 98th Congress (Washington, D.C.: United States Government Printing Office), pp. 47-373.

¹¹For the full text of President Reagan's address see *The New York Times*, April 28, 1983, p. 8.

¹²The Democratic party's response to the President's address was delivered by Senator Christopher Dodd of Connecticut. It was printed in *The New York Times*, April 28, 1983, p. 9.

¹³The text of the Contadora Group's proposals worked out in consultation with Central America's foreign ministers, along with the Group's report to the United Nations and an analysis of the prospects for a negotiated settlement in Central America can be found in Jack Child, ed., *Maintenance of Peace and Security in the Caribbean and Central America* (New York: International Peace Academy, 1983).

¹⁴For a particularly acrimonious exchange see *Concerning United States Military and Paramilitary Operations in Nicaragua: Markup Before the Committee on Foreign Affairs, House of Representatives*, 98th Congress, 1st Session, May and June, 1983.

Richard Millett is the author of *Guardians of the Dynasty: A History of the U.S. Created Guardia Nacional De Nicaragua and the Somoza Family* (New York: Orbis Books, 1977) and is coeditor of *The Restless Caribbean* (New York: Praeger, 1979).

"The center-right coalition has held its own on questions on which the disloyal right painted itself into a corner But neither the military nor the United States have yet found the resolve to confront the disloyal right Without this, the transition process cannot advance to a stage of negotiations and more ample electoral participation."

Political Change in El Salvador?

BY ENRIQUE A. BALOYRA

Professor of Political Science, University of North Carolina

ON August 3, 1982, Salvadoran Provisional President Alvaro Magaña joined representatives of the Partido Demócrata Cristiano (PDC), the Alianza Republicana Nacionalista (ARENA), the Partido de Conciliación Nacional (PCN), and the Partido Popular Salvadoreño (PPS) at Apaneca to work out a "basic platform of government." This agreement very quickly adopted the name of the site of the reunion.

The Pact of Apaneca commits all parties represented in the Salvadoran Constituent Assembly (with the exception of Acción Democrática, which refused to join) to a series of substantive principles dealing with pacification, democratization, human rights, economic recovery, social and economic reforms, confidence and security measures, and international support.¹

Much can be said about the shortcomings of the pact. It has not created a "consociational coalition" comparable to those made possible by the Pacts of the Moncloa (Spain), the Pact of Punto Fijo (Venezuela), and the Pact of Sitges (Colombia), which helped bring about a transition from authoritarianism to democracy in those countries. Although the Pact of Apaneca tries to imitate these, some of the basic conditions for a genuine consociational agreement are not given in the Salvadoran case. ARENA and the PDC, two antagonistic actors subscribing to the pact, have not and cannot disavow the more pressing demands of their constituents nor subordinate them to a process of consensual decision making. In addition, the pact is exclusionist because the parties subscribing to the pact are neither willing nor able to include the left. Nor has the pact been conducive to a more harmonious government.

The Political Commission of the pact, created by Decree Number 124 of August 30, 1982, has reproduced the tensions and contradictions in the Cabinet and the Constituent Assembly. Magaña, as coordinator of the Commission, has not been able to do much with this disparate group consisting of the three vice presidents of the Constituent Assembly, the foreign minister, the minister of

defense and public security, and additional representatives for ARENA, the PCN, and the PPS. The Political Commission has not been able to make more progress than the Christian Democratic Junta on the more incandescent issues of the Salvadoran transition. The pact and the Commission are subject to the same kind of internal tensions that eventually tore apart the first Junta Revolucionaria de Gobierno organized after the overthrow of General Carlos Humberto Romero on October 15, 1979. The mistake has been to bring together actors with diametrically opposed conceptions of the state, the regime and the policy agenda in the same government when, in reality, they can only be brought together within the same regime.

Some modest albeit significant advances have been made. The pact provided a minimal legal framework for the operation of the government and the Constituent Assembly, and it has evolved a timetable for constitutional revision and elections that will bring to the fore the relevant substantive issues of the Salvadoran transition: the question of property relations, the question of political participation, the question of a negotiated settlement to the civil war, and the question of human rights and judicial restoration.

To be sure, the ongoing civil war, the formidable presence of disloyal, anti-democratic rightists, the continued systematic violation of basic human rights, the need for substantial socioeconomic reforms, and the regionalization of the conflict in Central America thwart a democratic outcome in El Salvador. As a matter of fact, these apparently more pressing and relevant factors seem to deserve more analytical attention and political effort from anyone interested in a democratic outcome to the process of Salvadoran transition. However, any analysis that focuses exclusively on the context or on the procedural aspects of the Salvadoran transition is bound to be insufficient and, in addition, to overlook the fact that this is a crucial moment in the Salvadoran transition.

A brief description of the patterns of conflict and of coalition formation within the context of the pact will show the changing nature of the coalitions, the shifting balance of power among them, and the gradual erosion of the influence of the disloyal right that has brought about a new upsurge of rightist violence. An appraisal of these

¹The English text of the Pact of Apaneca may be found in *El Salvador News Gazette*, October 4–10, 1982, pp. 1, 10, 11; for a critical review of the pact see Tomás R. Campos, "El 'Pacto de Apaneca,' Un Proyecto Político para la Transición," *Estudios Centroamericanos*, vol. 37, nos. 407–408 (September–October, 1982), pp. 865–878.

dynamics suggests that the disloyal right must be neutralized now or the chances for a democratic outcome will be lost in El Salvador.

THE PACT OF APANECA

The Pact of Apaneca was the culmination of a series of behind-the-scenes maneuvers to prevent a complete rightist takeover after the elections of March 28, 1982. The power grab staged by the disloyal right, massed behind ARENA and its allies in the PPS and the PCN, almost resulted in a rightist coup. Only the combined opposition of the leadership of the Armed Force and the United States helped prevent this, making Alvaro Magaña Provisional President in a very uncertain context. This fact, together with ARENA's early successes, suggested that a democratic outcome had been all but eliminated.

ARENA had the political initiative between early May and August, 1982. It took some key ministries for itself (Agriculture, Economy, Foreign Trade, Health) and controlled the Institute of Agrarian Transformation, ISTA. On May 18, taking advantage of a measure introduced by Magaña that would have suspended implementation of Decree 207 (the "land to tiller" portion of the agrarian reform program) for the 1982-1983 harvest season in cotton and sugar lands, the rightists joined forces with a vote of 37 to 18 in the Constituent Assembly to expand the measure to include about 95 percent of the land under cultivation. During May and June, several Christian Democratic mayors were assassinated by elements of the Civil Guard, in a campaign to increase rightist control over the country's municipalities. Simultaneously, landowners were expelling peasant beneficiaries of Decree 207 at gunpoint. According to UCS leader Ramón Mendoza, 15,000 families were expelled in May. On May 29 a symposium of the Alianza Productiva, an umbrella organization of conservative business groups, asked the government to pledge no more reforms. In June, the findings of a Court of Accounts audit of a US\$21-million ISTA fund were utilized to discredit the program of agrarian reform. The audit found "incompetent management practices," "doubtful investments," "exaggerated expenses," and a "possible misappropriation" of US\$720,000.

²On May 26 the Senate Foreign Relations Committee voted 12-0 to reduce the amount of 1983 U.S. aid to El Salvador by \$100 million. A House subcommittee had voted to reject the entire supplemental appropriation for 1982.

³*La Nación Internacional*, June 18-24, 1982.

⁴Magaña was on perfectly legal grounds which, to say the least, is normally insufficient in El Salvador. The Constituent Assembly, by its Decree No. 3 of April 26, 1982, had adopted the 1962 Salvadoran constitution as the legal instrument for the transition. None of the restrictions introduced by the decree affected Article 72 of that constitution, which gives the President appointive and removal powers over the Cabinet. The Constituent Assembly merely retained the right to approve.

⁵*Diario de Hoy*, December 20, 1982, p. 9.

The moderates found themselves on the defensive, forced to dispatch United States Ambassador Deane R. Hinton and Salvadoran Foreign Minister Fidel Chávez Mena to Washington, D.C., in early June for damage control on a Congress infuriated by these developments.² President Magaña chafed in his uncomfortable position. He complained publicly about the lack of unity in his government during a visit to Costa Rica in June. He protested aloud that the disloyal right was "creating conditions of instability in the country."³ In July, "official sources" complained about the progressive atrophy of the government, stating that nothing had been put in place to substitute for the working relationship that had existed between the Junta and the Cabinet under the Christian Democrats.

THE RIGHT'S LOSS OF INFLUENCE

With the pact and with the creation of the Political Commission, the influence of the disloyal right was moved from the government to the Constituent Assembly, where it was eventually checked. When the Commission tried to increase coordination between the Cabinet and the Assembly, a move resisted by ARENA leader Roberto D'Aubuisson, the disloyal right lost control of the Assembly.

The procedural aspect of the confrontation came to a head when, in early December, 1982, Magaña fired ARENA Health Minister Fernando Berrios Escobar for his failure to follow directions. ARENA challenged Magaña's authority, arguing that the pact provided for a power-sharing arrangement and advising Berrios Escobar to stay on. Magaña, in turn, put the issue to a broader test and asked the entire Cabinet to resign.⁴ On December 17, ARENA refused. Magaña already had the support of the PDC, the PCN, and the PPS; thus he had the consent of two of the three vice presidents of the Assembly plus enough votes to carry the motion. More important, the military came out in favor of the President.

But ARENA viewed the issue in broader terms. The party let the media know of its restlessness about a possible hidden agenda in a December meeting between United States President Ronald Reagan and Magaña in Costa Rica. ARENA also argued that a maneuver was afoot to separate the party from the government and eventually to change the leadership of the Assembly. ARENA voiced concern about a possible Christian Democratic coup and concluded that the whole situation resembled a scenario to begin a dialogue with the left, which ARENA opposed adamantly.⁵ Finally, on December 24, ARENA's four ministers tendered their resignations.

A more decisive test came during January, 1983, when D'Aubuisson's rightist coalition fell apart on the issue of replacing the health minister. On January 17 Magaña proposed Dr. Napoleón Eugenio Cárdenas of the Democratic Alliance (AD) to succeed Berrios Escobar. On January 26, on the eve of the Assembly vote on the issue, D'Aubuisson accused Magaña of attacking ARENA for

its support of free enterprise and its opposition to statist ideas, and warned that the Cárdenas nomination could provoke a government crisis.⁶

On the morning of January 27, only ARENA deputies were advised of the impending vote. This enabled D'Aubuisson to suspend the session for lack of a quorum. Later in the day, despite the presence of the 40 non-ARENA deputies in the Assembly building, D'Aubuisson once again suspended the session for lack of a quorum. During the afternoon, the Assembly convened without D'Aubuisson and approved Cárdenas's appointment. This required an amendment that put ARENA deeper in the hole; the amendment passed with the 31 votes of the so-called Centro Democrático, integrated by the PDC and the AD delegations, plus some deputies from the PCN. It enabled any one of the nine officers of the Assembly to convene a session, removing ARENA's hitherto unchallenged control of the agenda and establishing that only four signatures would be required to certify a motion. This changed a previous rule that gave ARENA officials a veto over any legislation by simply refusing to certify it. Christian Democratic delegates suggested that D'Aubuisson's "posture of introducing political problems into the armed forces" had been a major consideration among those conservatives who voted against him. AD delegates viewed the vote as an expression of "no confidence" in D'Aubuisson.

The vote brought back a coalition that had crystalized in May, when PDC and PCN delegates joined forces to defeat ARENA's Hugo Barrera in his bid for the presidency. Despite previous collaboration between the two parties during 1980-1982, the coalition broke apart as the PCN gravitated toward ARENA after the March, 1982, election. While the PCN enjoyed its role of pivotal player and received more than its share of government positions, the party was subject to tremendous pressures that pulled it apart. Following the signing of the Pact of Apaneca the PCN delegation to the Constituent Assembly split in two, with one group of nine delegates, led by Colonel Robert Escobar García, creating what they called Partido Auténtico Institucional Salvadoreño (PAIS), and the remaining five preserving the party's name and one of the vice presidencies of the Assembly. Eventually one of the nine drifted back to the PCN, giving future alliances of the center-right (PDC and PCN) a minimum of 30 votes.

The new post-January, 1983, balance of power in the Constituent Assembly should not be interpreted as a sign that a robust coalition of pro-democratic aperturists is

⁶In a none-too-subtle move, D'Aubuisson proposed Colonel Guillermo Iraheta Luna for the job in order "to help the Armed Force with the problems at hand."

⁷Some of the threatening phone calls received by delegates have been traced back to the security personnel of the Assembly. Its 100-man security detail consists primarily of former military and intelligence officers recruited by a small group controlled by D'Aubuisson. The name of the Assembly's chief of security, Héctor Antonio Regalado, has been linked to the death squads.

already in place and that it will be willing and able to overcome the disloyal right in the resolution of the substantive aspects of the agenda for a democratic transition. The outcome of the ministerial crisis simply shows the disloyal right's inability to function even within the very tentative and loose legal framework provided by the pact. Seeing itself at a disadvantage, the disloyal right has returned to what it does best, namely, engaging in violence. For example, during the January 27 vote in the Assembly, nine deputies reported having received death threats over the telephone.⁷

Two problems remain before a "winning coalition" of aperturists could emerge in the Assembly. One is the degree to which the Centro Democrático can garner sufficient votes, in addition to the 30, to pass measures concerning the substantive aspect of the transition. On February 2, 1983, the coalition, by a vote of 38 to 17, beat back a rightist attempt to repeal the amendments passed on January 27 despite D'Aubuisson's threats to resign and to take ARENA into opposition. However, the Centro Democrático has been unable to find enough additional votes to prevail on questions of property relations and human rights.

The very absence of the left from the Assembly is a key factor, because it is very unlikely that the PPS and the AD will be of much help on these issues. Despite its vocal anti-militarism and its generally progressive stance on the question of judicial restoration, AD is against any substantial socioeconomic reform. The PPS cannot be counted on for either issue. While the 30 votes may be sufficient to prevent a rollback of the reforms, they fall short of producing substantive results on key issues.

THE MILITARY

Another problem is the military, the only actor with enough force at its disposal to prevail on the disloyal right in a confrontation about the use of violence and human rights violations. Unfortunately, the Salvadoran Armed Force remains very much part of the problem and changes within the institution have not brought about an improvement.

The military helped prevent a complete takeover by ARENA following the March, 1982, elections. As a group, the military would have had much to lose from this development, either because of a more or less certain confrontation with the United States Congress, and/or because of the fact that D'Aubuisson would have made guerrillas out of the majority of the population. The military remained disoriented during the uncertain period of the late spring and summer of 1982, and had to adjust to rapidly changing conditions.

One was the removal of General Jaime Abdul Gutiérrez as commander in chief of the armed forces; chief of staff Rafael Flores Lima made the announcement on May 7. Gutiérrez was considered too close to the PDC and his ouster was probably a victory for the rightists in the Assembly. Despite this loss, former President Napo-

león Duarte confided to a foreign correspondent that the "very, very careful work" that had earned him the confidence of the military had not been in vain. In May, following the murders of Christian Democratic mayors and organizers, the Armed Force deplored the killings in a paid advertisement and called for the murderers to be brought to justice. On June 7, following passage of the one-year suspension of Decree 207, the army reiterated its support for agrarian reform.

These were, to be sure, only words but they represented an attitude and an element of continuity going back to the Armed Force's proclamation of October, 1979. In essence, the implementation of the program of agrarian reform in early 1980 opened a rift between the Armed Force and the disloyal right, which the latter was trying to mend by removing the top military leadership. ARENA's attempt to do this, and specifically to remove Defense Minister General José Guillermo García, is hard to explain and understand unless one accepts the existence of a serious rift between the element dominating the Salvadoran military since October, 1979, and the Salvadoran oligarchy. D'Aubuisson kept up the pressure against García all through 1982, trying to utilize discontent with García's leadership to remove the general from his post.

On January 5, 1983, García tried to get rid of Lieutenant Colonel Sigfrido Ochoa, military commander of Cabañas province. Members of the United States military mission in San Salvador had been praising officers like Ochoa for their relatively successful pursuit of counterinsurgency tactics. Some of these officers were rumored to be close to former Major D'Aubuisson or at least critical of García.

On January 6, Ochoa mutinied, placed his garrison under alert and sealed the borders of his province. In a radio broadcast, relayed by commercial stations of San Salvador, Ochoa accused García of corruption and of running the defense ministry like a political machine, and asked for his resignation. Ochoa's background, the manifold implications of his action, the kind of support that he received, the manner in which the conflict was resolved and its ultimate outcome provide a very good illustration of the Byzantine world of the Salvadoran military, and of the "many truths" that they live by.⁸

Widespread public backing for Ochoa failed to materialize. However, Air Force Chief Colonel Rafael Bustillo and Colonel Adolfo Blandón refused to sign a loyalty oath circulated by García on January 9. Twenty-eight senior

officers signed. Ochoa seems to have attracted considerable support among the officers of the elite army battalions—Atlatcatl, Atonal and Ramón Belloso. Two of these officers, Lieutenant Colonel Domingo Monterrosa (Atlatcatl) and Colonel Napoleón Calito (Atonal), graduated in the same *tanda* (class) with D'Aubuisson. This complicates the interpretation of their role.

On January 10, President Magaña asked Ochoa to desist and to "comply without conditions." Ochoa refused. On January 11, the crucial day of the dispute, Ochoa was cut off from the media but remained in radio contact with Colonel Bustillo. The latter met with Magaña. Simultaneously, National Guard Commander General Eugenio Vides Casanova reconvened a group of officers who had traveled with him to Sensuntepeque to talk to Ochoa. During the day, Magaña promised that he would conduct a study "of the causes that motivated the anomalous situation." Most observers agree that a deal was made, enabling Ochoa to obey an alternative order and providing for García's decorous exit within a period of 90 days. On January 12, Magaña announced that fellow officers had persuaded Ochoa to end the rebellion.

García's 90 days expired on April 11. Colonel Bustillo threatened to revolt if the general did not abandon his post by April 15. On that day García huddled with Magaña, United States Ambassador Hinton, United States Attorney General William French Smith, and senior military commanders. I have no information on what transpired there. What appears certain is that they probably revised the terms of the January 11 agreement to make sure that there would be no surprises. Later in the day, Francisco José Guerrero, minister of the presidency, announced that President Magaña had received and accepted García's resignation. On April 18 García announced his resignation. The following day, Magaña appointed Vides Casanova as the new defense minister.

Although the signals are contradictory, the disloyal right apparently benefited from García's ouster. On April 19, General Vides Casanova announced that there would be sweeping changes. He replaced the commander of the Fifth Infantry Brigade, Colonel José Alejandro Cisneros, and placed Colonel Reinaldo Golcher in charge of operations in San Vicente and Usulután. At the Treasury Police he replaced one hard-liner, Colonel Francisco Morán, with another, Colonel Nicolás Carranza.

During the summer, dispatches by foreign correspondents portrayed Vides Casanova as more open to advice on the humane treatment of civilians and quite open to guidance on tactics. But to date, the armed forces' most dramatic change under Vides has been an increasing reliance on orthodox counterinsurgency tactics which have, in effect, ended the "regular hours" approach followed by unit commanders under García. This is not all for the better since, as critics have shown, counterinsurgency is never very mindful of innocent civilians. In addition, Vides Casanova has done very little to prosecute cases pending against military officers and enlisted

⁸Ochoa was involved in the 1972 coup in favor of Duarte and was sent to Costa Rica to cool his heels. In 1979, he clashed with Colonel Adolfo Majano (Ochoa accused him of selling out to the left) and found himself again in Costa Rica. Following Majano's demise, Ochoa returned and was assigned to Cabañas province in mid-1981. He ruled there like a warlord and his counterinsurgency tactics were criticized by human rights organizations. For a glimpse at the byzantine world of Ochoa and his colleagues and for their operational code, see Shirley Christian's article in *The Atlantic*, June, 1983, pp. 50–53, 57–60.

men for violations of human rights—and violations continue to occur.

On September 28, 1983, the army recovered the town of Tenacingo following a three-day battle with guerrillas; A-37 Dragonfly aircraft were utilized to bomb the town and help dislodge the guerrillas. On October 1, Radio Venceremos, the Farabundo Martí Liberation Front (FMLN) station, broadcast tapes of what it described as intercepted radio messages between Colonel Adolfo Blandón, the military commander of the area; the officer in charge of the government forces in the town; and the Dragonfly pilots. The voice identified as Colonel Blandón orders the pilots to bomb the town on the grounds that "anyone who is not a soldier is an enemy," despite the pilots' insistence that the people below were non-combatants.⁹ On October 3, Monsignor Gregorio Rosas Chávez, Auxiliary Bishop of San Salvador, condemned this indiscriminate bombing; he reported that 100 persons had been killed and twice as many wounded. On November 4, 1983, elements of the Atlacatl battalion reportedly executed 20 women and children in the village of San Nicolás and caused 30 other persons to drown when they forced them into Lake Suchitlan with their gunfire. The press committee of the Armed Force (COPREFA) defended the action on the grounds that those killed were "subversives."

Vides Casanova's indecisiveness or unwillingness to rein in his subordinates is especially crucial at a time when the disloyal right has launched a violent onslaught to prevent the incorporation of any reformist language in the draft constitution and to prevent a negotiated political settlement of the Salvadoran conflict.

Beginning in September, 1983, the Secret Anticomunist Army (ESA) and the General Maximiliano Hernández Anticomunist Brigade undertook a number of violent actions. The home of Professor Italo López Vallejos, editor of *Estudios Centroamericanos*; the Jesuit residence at the Central American University; a truck belonging to Jorge Camacho, one of the directors of the Popular Democratic Union (UPD), an umbrella organization grouping the four largest peasant unions; and the building housing radio stations "Radio Cadena Central" and "Radio Mil Ochenta" in San Salvador were bombed by the ESA. The ESA also claimed responsibility for the execution of two people.

D'Aubuisson was unable to persuade the defense ministry to prevent a labor mobilization in favor of a progressive constitution. The UPD had called for a march on the day when the Constituent Assembly would begin discussing draft articles 103, 104, and 105 which, if passed as written, would make it all but impossible to proceed with agrarian reform in El Salvador. Labor was also lobbying for the incorporation of all the decrees passed by the Junta Revolucionaria de Gobierno during 1980–1982. Despite the rightist campaign, UPD and the

Christian Democrats were able to march on September 27, with the protection of the National Police. Shortly thereafter, the rightist campaign took an even nastier turn. On October 1, D'Aubuisson accused UPD director Samuel Maldonado (who at the time was testifying before the National Bipartisan Commission on Central America in Miami, Florida) of having links with the ERP guerrilla group and of passing United States AID (Agency for International Development) funds to the guerrillas. At about that time, five other labor leaders received death threats and, on October 6, the bodies of four people were discovered in San Salvador. The Brigade took responsibility for their execution. On October 3, UPD leaders told a press conference that they would hold D'Aubuisson responsible for anything that happened to Maldonado. The latter was advised to stay in the United States.

Sensing a very dangerous situation, the Reagan administration tried to respond to these developments, but it failed to make much headway. On October 3, Department of State spokesman Alan D. Romberg condemned the upsurge in rightist violence "in the most categorical terms." On October 8, White House spokesman Mark Weinberg condemned the slayings of the four people by the Brigade as "atrocious"; United States Ambassador Thomas Pickering had spoken to D'Aubuisson on the day the bodies were discovered. On October 9, three Salvadoran television stations repeated a broadcast in which D'Aubuisson accused Maldonado. The major repeated his accusation on the eve of the United States National Bipartisan Commission on Central America visit to El Salvador. On October 12, former Secretary of State Henry Kissinger, who heads the Commission, addressed the problem in public, saying that "Americans should not be asked to choose between security and human rights." Despite a meeting with the Commission, D'Aubuisson remained unrepentant. On October 12, the ESA accused Spanish Ambassador Luis Marinas Otero of having links with the four assassinated labor leaders. Later in the month, the ESA warned the newspaper *El Mundo* and three radio stations in San Salvador to stop running political advertisements by unions and "other Communist groups."

In early November, the Reagan administration dispatched Assistant Secretary of State for Human Rights Elliot Abrams, Under Secretary of Defense for Policy Fred Iklé, and Deputy Assistant Secretary for Military Assistance Néstor Sánchez to El Salvador to meet with top Salvadoran officials and get them to eliminate the rightist death squads. The Brigade had just warned Monsignors Arturo Rivera y Damas and Rosa Chávez to stop voicing Communist propaganda because they would not

(Continued on page 85)

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⁹U.S. Department of State, *Foreign Broadcast Information Service, Central America*, October 7, 1983, pp. 2–3.

"Nicaragua, Honduras and the United States have all forwarded peace initiatives. . . . However, each country has prepared for war while talking about peace. The result is a militarization of Central America that appears to be taking on a logic of its own."

Nicaragua and Honduras: Toward Garrison States

BY MARK B. ROSENBERG

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CENTRAL America's Nicaragua and Honduras are among Latin America's poorest countries, and each suffered marked economic deterioration in both 1982 and 1983: stagnating growth, declining business confidence, a growing debt, and foreign aid insufficient to resolve basic economic or human problems. Both countries have deteriorating human rights conditions, and the Nicaraguan human rights situation is complicated because of deepening tensions between the government and the Catholic Church, whose Archbishop has become one of the Sandinistas' most outspoken critics. However, more important than any other problem is the threat that each state perceives from the other. At the end of 1983, prospects for regional peace remain dim, largely because of the growing hostilities between Nicaragua and Honduras.

Nicaragua's revolutionary government, the Sandinista National Liberation Front (FSLN), has been besieged by hostile Nicaraguan guerrillas known collectively as *la contra*, the counterrevolutionary (*contra-revolucionario*). The Nicaraguan leadership has repeatedly charged that Honduras and the United States, through its Central Intelligence Agency (CIA), are directly supporting *la contra* to destabilize or remove the Sandinistas from power.¹ The United States invasion of Grenada, under the auspices of the Organization of Eastern Caribbean States, further heightened Sandinista insecurities about Honduran intentions.

Indeed, Honduras's civilian and military leadership has gradually become more bellicose toward Nicaragua, asserting that the Sandinistas' growing military strength, its support for the Salvadoran rebels, its increasing dependence on Cuba and East Europe, and its growing internal repression are a menace to all the states of Central America.² Honduran perceptions of Nicaragua have been colored by a growing United States commitment in Honduras; the United States has given the country a virtual security blanket.

¹Tomas Borge, "The U.S. and Nicaragua," *The Washington Post*, July 31, 1983.

²See *Foreign Broadcast Information Service (FBIS)*, October 18, 1983, p. P20. Also see "Honduras no tolerará ataques, advierte el Gobierno a Ortega," *La Tribuna* (Honduras), October 5, 1983.

In fact, relations between Honduras and Nicaragua have tended to be a function of their respective bilateral relations with the United States. Historically, neither country has had strong nationalistic feelings toward the other. Honduras's traditional regional enemy was El Salvador, largely as a result of El Salvador's need for land to support its burgeoning population. However, in 1980 Honduras signed a peace treaty with El Salvador, which formally ended their 1969 border war and symbolized a growing regional perception of Nicaragua's potential threat to both Honduras and El Salvador.

The Nicaraguan revolutionaries have not helped themselves in this regard. They have gradually alienated themselves from their Central American neighbors by supporting the Salvadoran revolutionaries, antagonizing traditionally neutral Costa Rica and threatening guerrilla warfare against Honduras. They have also lost the support of both Mexico and Venezuela; and important allies like Spain and France are growing impatient with the Sandinistas because of Sandinista efforts to maintain revolutionary solidarity with Basque separatists and with Libya, viewed respectively as adversaries by the two European countries.

High military officials in Honduras and El Salvador have stated publicly that there will be no peace in Central America until the Sandinistas are removed from power. These assertions reflect United States government sentiment toward Nicaragua's revolutionary government. In recent months, Nicaragua has indicated a greater willingness to engage in dialogue with the United States. The Sandinistas have become interested in following regional peace outlines suggested by the Contadora Group (Panama, Mexico, Venezuela and Colombia) and in October, 1983, they submitted a series of proposals for regional peace to the United States. Yet the basic antagonism between Honduras and Nicaragua remains, in large part the result of United States policy.

HONDURAS

In January, 1982, Honduras's first elected civilian President in 11 years took office. A member of the traditional Liberal party, Roberto Suazo received a strong electoral mandate from a citizenry eager to return the

Honduran military to the barracks. However, with United States support and in response to the lingering economic crisis of the country, Suazo and General Gustavo Alvarez, his military chief, gradually became more hostile to Nicaragua.³ In the process, General Alvarez eclipsed Suazo and became the "power behind the throne" as national security was increasingly emphasized. While the United States has consistently maintained that its policy toward Honduras is based on "support for democratic processes, concern for economic and social well-being, and [only] lastly defense of sovereignty and territorial integrity,"⁴ in practice the last has been the most visible United States interest. Thus, annual United States military aid to Honduras approaches \$40 million, a quantum leap from 1980 levels; United States troops numbering from 2,000 to 5,000 are stationed in Honduras as part of major United States-Honduran military maneuvers that began in August, 1983, and will extend into 1984; a regional training camp run by the United States for Salvadoran, Honduran and (possibly) Guatemalan troops has been established; radar stations have been built and airport runways lengthened. This has been accompanied by the positioning of major Navy task forces in the Caribbean and the Pacific off Central America.

The massive United States military presence has been complemented by direct United States support for covert operations launched by dissident Nicaraguans against the Sandinistas. The heart of these operations is in Honduras; and the contras are advised, supplied and trained by the Central Intelligence Agency and the Honduran army. United States support for this "dirty war" is openly discussed both in the United States Congress and in Honduras and Nicaragua. One faction of the contras, the Nicaraguan Democratic Force (FDN), is openly campaigning for direct United States military intervention in Nicaragua along the lines of the United States invasion of Grenada.

This position has encountered resistance from other contras like Edén Pastora, military commander of the anti-Sandinista Nicaraguan Democratic Revolution Alliance (ARDE). On a tour of the United States to gain support for his movement, Pastora warned against a United States invasion: "In Nicaragua you [the United States] could get in, but getting out would be another matter."

Disagreement among the contras, however, has not diminished Honduran willingness to support anti-Sandinista efforts. General Alvarez was a key player in

the late 1983 efforts to revive the moribund Central American Defense Council (CONDECA), a military alliance originally organized under United States tutelage in the early 1960's. While Nicaragua was a founding member, CONDECA's most recent incarnation excludes it; Guatemala, El Salvador and Panama are now joined with Honduras. Indeed, CONDECA's resurrection appears to be part of the United States regional effort to isolate the Sandinistas. Given Honduras's contiguity with Nicaragua, the strong United States military presence there, and the forceful anti-Sandinista leadership of General Alvarez, Honduras will play a key role in any possible military moves against Nicaragua, with or without CONDECA.

THE POLITICAL ECONOMY OF DECLINE

The war in Central America has had severe economic costs in both Nicaragua and Honduras, and economic decline threatens to become a permanent characteristic of both countries. Since the average per capita income in both nations is \$300, the economic situation would be a serious enough impediment to stability, regardless of the regional animosities.

The Honduran economy has been stagnant since 1980, plagued by low world market commodity prices, declining investor confidence, military and civilian corruption, a shortage of foreign exchange, and capital flight. An estimated 75 percent of all rural households live below the poverty line, with about 20 percent unemployment and 60 percent underemployment. Industry, never strong in Honduras, is operating at about 50 percent of capacity; an estimated 65 firms have closed since 1982, and construction, an important growth sector in Central America, is working at 10 percent of capacity.

Low world market prices for coffee, bananas, meat and lumber have hampered the Honduran balance of payments position. But the United States reduction of Nicaragua's sugar quota and the subsequent increase of Honduras's quota may generate added foreign exchange in 1984; and one-time financial injections through the Caribbean Basin Initiative have helped Honduras keep current on its debt payments.⁵ The Suazo government has generally favored fiscal austerity as a response to the economic crisis, because of a growing foreign debt, inflation, a shortage of foreign capital and the logic of "Reagonomics." Nonetheless, this policy is beginning to generate criticism in Honduran business circles.

The country's economic deterioration has carried important costs, notably in the agricultural sector, where land reform is once again becoming a central issue.⁶ Put on hold in 1978, when the country turned its attention to the return of democratic rule, the pace of land reform is once again the top agenda item for the country's well-organized rural labor unions. Assistance in the reform effort may come from the United States, but it will be oriented toward the provision of land titles.

In the two years following their victory in Nicaragua,

³See Mark B. Rosenberg, "Honduran Scorecard: Military and Democrats in Central America," *Caribbean Review*, vol. 12, no. 1 (Winter, 1983).

⁴See Ambassador John D. Negroponte's speech to the Rotary Club, Tegucigalpa, Honduras, April 6, 1983, p. 1.

⁵United States Embassy, "Foreign Economic Trends: Honduras, 1983" (Tegucigalpa, Honduras, 1983).

⁶Mark J. Ruhl, *The Influence of Agrarian Structure on Political Stability in Honduras*, *Journal of Inter-American Studies and World Affairs*, forthcoming.

the Sandinistas were able to achieve strong economic growth rates averaging about eight percent. However, the combined effects of declining productivity, United States efforts to block foreign assistance,⁷ contra-initiated infrastructural damage and economic mismanagement have all contributed to two successive years of declining economic growth. Oil storage and shipping facilities on both coasts have been severely damaged and Managua's airport was bombed in late 1983. The border area is a virtual war zone, with extensive human and material losses.⁸

These problems are exacerbated by an acute shortage of foreign exchange (U.S. dollars) and a serious out-migration of mid-level managers skilled in business decision making. Further, while the Sandinistas have maintained their commitment to a mixed economy, they have gradually shifted their dependence for raw materials and inputs to the socialist bloc countries. However, they have not been able to find adequate external markets for three critical agricultural products (sugar, meat and bananas). While Japan has provided a market for Nicaraguan cotton, production of this vital export staple has also declined.⁹

Despite the growing external threat, the Sandinistas have maintained their strong commitment to the enhancement of the country's social welfare, particularly in the area of preventive health programs. At the same time, however, the government has resorted to deficit financing of welfare projects, thereby exacerbating inflation.

Moreover, Nicaragua's foreign exchange shortage, along with contra sabotage and economic mismanagement, have led to the rationing of certain necessities, especially sugar, rice, beans, cooking oil and soap. Rationing and the concern for security have led to the rejuvenation of the local Sandinista Defense Committees (CDS), which play a critical role in channeling support for the government and moderating dissent.

PLURALISM AND HUMAN RIGHTS

Both Nicaragua and Honduras confront serious threats to their existence. Nicaragua faces a major three-front conflict and seemingly unlimited hostility from the United States. Honduras's nascent democracy confronts a hostile neighbor to the south, a serious guerrilla movement across the border to the west in El Salvador, and the specter of an ever more autonomous military establishment able to dominate civilians and render stillborn the democratization of the country.

As 1983 came to a close, important political issues were unresolved in Nicaragua. First, it was doubtful whether a new electoral law would ever be articulated. While a complement to this law, the Political Party Law, emerged

⁷See Richard Sholk, "U.S. Economic Aggression Against Nicaragua," presented at the eleventh International Congress of the Latin American Studies Association, Mexico City, September 29–October 1, 1983.

⁸See *FBIS*, October 17, 1983, pp. P22–24.

⁹Banco Centroamericano de Integración Económica, *Nicaragua: Plan Operativo 1983–84* (Tegucigalpa, Honduras, 1983).

in mid-August, 1983, the growing external threat might make any strong internal electoral political opposition to the FSLN unthinkable. Doubt over the planned 1985 national elections was compounded by Sandinista efforts to introduce a law of Patriotic Military Service (SMP), to become effective in January, 1984. The law obligates all men between the ages of 18 and 25 to enter active service for up to 2 years. Other phases of the law require men up to the age of 50 to register for either reserve or militia units. While this law has the manifest purpose of strengthening the pool of human resources available for military service, it will also introduce members of the middle class into the Sandinista revolutionary process.

One of the major sources of internal opposition to the Sandinistas has continued to be the hierarchy of the Catholic Church, led by the Archbishop of Managua, Miguel Obando y Bravo. His outspoken criticism of the government coincided with Pope John Paul's vigorous hostility to the Sandinistas during the Pope's March, 1983, visit to Nicaragua. Through the Nicaraguan National Bishops' conference, the Church also opposes the proposed obligatory military service. While Sandinista leader Daniel Ortega has asserted that the draft will "strengthen national defense," the Church argues that it is really a means by which to "indoctrinate" Nicaraguan youth. At the heart of the Church-state conflict is the debate over whether Christianity and Marxism can coexist. The emergence of a "popular church" in Nicaragua challenges the traditional institutional dogma of the Church. The presence of Catholic priests in the government and in the FSLN promises to prolong the debate in Nicaragua and is a source of internal polarization.

The Church-state dilemma in Nicaragua is part of a larger debate over human rights and press censorship. While opinions vary dramatically, most sober assessments agree that human rights conditions have gradually deteriorated; murders, disappearances, the use of torture and the number of political prisoners, all indicators of human rights violations throughout Central America, have gradually increased since 1981. The Miskito Indians have been the most abused of groups under the Sandinistas, although these abuses are said to be still far fewer than those inflicted by the Somoza government.

Censorship of *La Prensa* continues, ostensibly to ensure that state security is not compromised. Scarcities of printing materials such as ink and newsprint weaken the independent voice of the newspaper; however, by the end of 1983, the Sandinistas and *La Prensa* editors had apparently arranged a modus vivendi, giving the paper greater latitude.

Finally, Nicaragua must face its growing dependence on Cuba, the Soviet Union and Eastern Bloc countries. It is still much too early to tell whether the Sandinistas learned any lessons from Grenadian Prime Minister Maurice Bishop's assassination and Cuban helplessness in the face of the United States invasion of Grenada. During 1984, it is likely that the United States will put

ever greater pressure on the Sandinistas to expel the Cubans.

Any of these problems alone—the implementation of a new political party law, the elaboration of a new electoral law, the introduction of compulsory military service, growing Church hostility, the censoring of an internationally known newspaper, the deteriorating human rights situation, coupled with the pressures to increase internal security—would make 1984 difficult. The Sandinistas obviously face a series of decisions and obstacles that may be more than they can possibly overcome.

In Honduras, the perception of a growing security threat has helped to thrust the military to the forefront of national politics again. General Alvarez has consolidated his power by cementing alliances with business, labor and university officials. He has many loyal followers within the Liberal party (including the President), although his traditional power base derives from the National party. As the security threat is perceived as more acute, further power will shift to Alvarez. President Suazo's poor health makes it less than sure that he will finish his constitutionally mandated term. But Suazo may attempt to prolong his presidency by two years, arguing that the security situation will not permit open elections.

Since the civilians came to power in early 1983, there seems to have been a decline in pluralism in Honduras. Opposition to the government is muted, even in the unicameral legislature, and few important issues are debated publicly. The Suazo faction of the Liberal party and the military have systematically attempted to divide any potential opposition; clear targets have included progressive teacher unions, the University and the reformist faction of the Liberal party, itself split into two groups. The other dominant party in the country, the conservative National party, has been divided by bitter internal squabbling over leadership succession issues and thereby distracted from any serious opposition.

The Catholic Church is just emerging from a six-year period of relative social inactivism, after the Church's overzealous promotion of land reform in the mid 1970's. Increasingly, the Church has become the public conscience for the Suazo government, critical in particular of the close association between Suazo and several sectarian religious groups as well as the growing climate of fear in the country. That fear is the result of a spate of security-related problems that began in late 1981 with politically motivated kidnappings. Since then, as in Nicaragua, politically related murders, disappearances and instances of torture have gradually increased.¹⁰ These are largely attributed to government security forces, but leftist terrorists have also contributed to the tension.

Approximately 30,000 refugees now are living in Honduras. While just over 50 percent are Salvadorans, expectations are that the number of Nicaraguans, now slightly over 12,000, will increase dramatically. This will place even greater stress on international relief agencies, not to mention the existing Honduran infrastructure. Indeed, the contras, numbering another 6,000–10,000, could become a security nightmare for the Honduran armed forces should the United States decide to abandon its covert support for the contras.

Beyond these immediate political and security-related problems are difficulties involving the institutionalization of the Honduran political system. Political cronyism continues to characterize the present system, which is held together, top and bottom, by patronage. Thus judges, party officials, government administrators and *tecnicos* tend to become dependent on the next highest patron, the system running in this fashion all the way to the President. Under these circumstances, it is highly unlikely that the current Honduran government can escape the growing anti-Sandinism of its two top leaders and focus on more enduring national development problems like land availability, the basic infrastructure, and the regeneration of economic growth.

CONCLUSION

Nicaragua, Honduras and the United States have all forwarded peace initiatives to reduce hostilities and promote regional stability. However, each country has prepared for war while talking about peace.¹¹ The result is a militarization of Central America that appears to be taking on a logic of its own. This militarization involves the reorientation of most national goals around internal and national security questions, straining the fragile socioeconomic and political fabric of both Nicaragua and Honduras.

As the economies of both countries continue their decline, both governments have tended to emphasize foreign policy and external threats to divert public attention. While Nicaraguan militia and regular forces have not inflicted serious damage in Honduras, Honduras has nonetheless been subject to airplane hijackings, the periodic bombings of electrical towers and businesses, and individual and mass kidnappings. Generally, these terrorist actions have been a response to Honduran support for the Salvadoran military.

The conflict between Nicaragua and Honduras can continue indefinitely, particularly if the economic situation in both countries continues to deteriorate. Indeed, while either or both countries can prolong the conflict,

(Continued on page 87)

¹⁰Human Rights in Central America: El Salvador, Guatemala, Honduras, Nicaragua (New York: Americas Watch), pp. 24–30.

¹¹See the testimony of Richard L. Millett before the Subcommittee on Western Hemisphere Affairs of the Committee on Foreign Affairs, House of Representatives, 98th Congress, 1st Session, March 15, 1983 (Washington, D.C.: U.S. Government Printing Office, 1983), pp. 2–15.

Mark B. Rosenberg recently held a Fulbright research fellowship in Honduras and is currently completing a book-length manuscript on that country. He has written many works on Central America, including *Las luchas por el seguro social* (San José: Editorial Costa Rica, 1980, 1983).

"It was anticipated that 1983 would be a difficult first year for Brazil's new democracy, and this expectation has been fulfilled. Now, one wonders whether this fragile democracy can weather world recession and foreign debt management."

Brazilian Democracy and the Foreign Debt

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NEVER before has Brazil been in so difficult a situation that its President considered either resigning from office or quitting his party. Yet the events of 1983 brought President João Figueiredo face to face with those very choices. The military *duros* (hard-liners) pressured him to rechart the course of *abertura*, that is, the political liberalization which both former President Ernesto Geisel and Figueiredo have pursued. Dissident Deputies of the "official" Social Democratic party (PDS) defected from the party frequently on crucial issues. In August, a normally docile Congress defeated a wage control law that had been tailored to meet an International Monetary Fund (IMF) precondition for more credit. The army minister regarded the official party to be so unreliable that he urged Figueiredo to sever his association with it. Galloping inflation rose to 200 percent by late October and threatened to go even higher. Equally alarming, unemployment surged to 30 percent and more in the industrial center-south.

Brazil's gargantuan external debt, the largest in the world, is approaching the US\$110 billion mark (the internal debt is Cr\$90 trillion) and has divided the country, pitting the President against PDS Deputies and Senators and provoking *duros* of the armed forces to question publicly the debt management policies pursued by the regime. Figueiredo's impaired health following two coronary bypass operations in two years and PDS's inability to find a strong candidate to succeed him in 1985 have created both tension and crisis.

Even nature has refused to provide Brazil with any relief. The worst flood in history inundated the southern states in July, destroying most of the crops, while the three-year-old drought in the northeast sent streams of refugees from the hinterland to the cities. In April, Governor Franco Montoro (PMDB, the Brazilian Democratic Movement party) of São Paulo was

embarrassed by riots of the unemployed who were mobilized by his own party's Communist deputies. For the first nine months of 1983, Brazil was plagued with over 900 food riots and supermarket sackings by the hungry and jobless. Leonel Brizola (PDT, the Democratic Labor party), the socialist governor of Rio state, alternately blamed the CIA (United States Central Intelligence Agency) and the Middle East conflict for the social unrest, much of which occurred in his state.¹ The Vargas Foundation, a respected economic research center, announced that the monthly inflation rate in October, 1983, reached 13.3 percent and predicted that the worst was yet to come. In January, 1964, two months before the March military coup that had ushered in the present regime, the monthly inflation rate had reached an all-time high of 11 percent.

In spite of Brazil's healthy US\$2.2-billion trade surplus for the first five months of 1983, businessmen, officials of state-owned corporations (*estatais*), labor leaders, and the military still criticized the Figueiredo government's management—or mismanagement—of the external debt. Before granting more private loans, international bankers insisted that Brazil abide by the belt-tightening (perhaps choking) austerity policies imposed by the IMF. This was the agreement that the Brazilian authorities made with the IMF, the United States Treasury, and some 1,200 banks in late December, 1982.² In return, the IMF and commercial banks would renew their credit lines to Brazil. In February, the Brazilian Central Bank instituted a 30 percent maxi-devaluation of the *cruzeiro* and agreed to reduce its public deficit as well as to impose new wage restrictions, not to exceed the rate of the consumer price index (INPC). These measures were designed to make Brazilian exports more attractive to foreign buyers, to discourage imports, and to keep the inflation rate low. However, this also simultaneously raised the Brazilian external debt by 30 percent in *cruzeiro* terms.³

ORIGINS OF THE DEBT

The origin of the Brazilian debt still awaits serious study. In 1931, Brazil had to declare a moratorium on £190 million it owed to European countries and the

¹*Veja*, September 28, 1983.

²*Revista Bancária Brasileira*, no. 602 (February 28, 1983), p. 7.

³The Economist Intelligence Unit, *Quarterly Economic Review of Brazil*, no. 1 (1983), pp. 3-7.

United States. That was its third moratorium in this century.⁴ In 1964, the Castelo Branco government, which was faced with a US\$3.5-billion debt, rescheduled its debt payment.⁵ The government, in turn, imposed tight fiscal measures that in fact pushed the country into a recession but also brought the inflation rate down to 40 percent. This, in turn, set the course for the years of the "miracle" (1967–1973), the hallmark of which was the astounding growth rate of 10 percent per annum at an inflation rate of 20 percent.⁶ To finance myriad public works and economic development projects like the Transamazonian Highway and the Itaipu hydropower plant, Brazil turned to foreign banks for credit. In fact, the country has never generated sufficient internal revenue to pay for such undertakings. In 1983, for instance, only 45 percent of the federal revenues came from taxes. Historically, then, the economic miracle germinated in a soil of deficit spending and was fertilized heavily with borrowed capital from abroad. This foray into the international money market was led by the state, which emerged as the beneficent employer (*bom patrão*) in both the public and private sectors.

In the decades of the 1960's and 1970's, the international financial market was flooded with capital. The economic boom in Europe, followed by the petrodollar surplus (over US\$1 trillion), made private credit cheap and even plentiful for third world countries. Once confined to governments and their agencies, foreign borrowing became readily available to private firms, banks and manufacturers. The Mexican finance minister observed in 1982 that this easy access to international capital discouraged domestic savings and capitalization in third world countries, which went on a decade-long borrowing binge.

With the coming of the oil crisis in 1973, however, this optional borrowing suddenly became a necessity. Brazil is a petroleum producer but is far from being self-sufficient. Roberto Campos, planning minister under Castelo Branco and now PDS Senator from Mato Grosso, estimated that the world's consumption of petroleum for the past decade (1970–1980) increased by 37 percent and the consumption of the United States by 16 percent. But Brazil's consumption soared by 200 percent. In 1982, the country spent US\$11 billion on oil, half the total value of its imports. Had it not been for an aggressive alcohol production program, the country would have been in a deeper hole financially. Petrobrás (the national oil company) supplies about half of Brazil's need for oil; the

rest is purchased from the major multinational oil companies.

Brazil's augmented foreign debt, therefore, has arisen from two sources: skyrocketing public expenditures and petroleum imports since 1973. After a decade of such practices and the coming of the world recession in the early 1980's, the accumulated debt came to be viewed by all concerned as a threatening liability that had exceeded the bounds of normal capital risk-taking. As of February, 1983, the IMF, international bankers, and Brazil had agreed on a multifaceted approach to their mutual problem. Brazil was to receive US\$5.45 billion from the IMF over three years, a fresh loan of US\$4.4 billion from commercial banks, and permission to reschedule an additional US\$4 billion in medium- and long-term loans over an eight-year period. International moneylenders agreed to restore credit lines to Brazilian banks overseas to the level of either June or December, 1982, whichever was higher.⁷ In return, Brazil committed itself to an austerity program. It proposed to cut the deficit from 13.8 percent to 7.9 percent of the gross domestic product to hold wages down. By May, the deficit had soared to Cr\$4 trillion and promised to be exacerbated by an inflation rate well beyond that of 1982.

Soon it became apparent that what Brazil had promised to the IMF was unrealizable, especially in a state capitalist system. Internal opposition to the agreement had become so strong by May that the government was forced to ignore parts of its February agreement with the IMF. Alarmed by the trend, the IMF suspended its payment of the second installment of the loan. Commercial banks followed the lead, also suspending further credit.⁸ By mid-year, Brazil was already US\$850 million behind on its interest payment. No less than \$250 million of that total was owed by Petrobrás.

State subsidies and ambitious development projects continue to contribute to the bulk of the ballooning public expenditures and deficits. Brazil, in fact, has a variety of subsidy programs and different "inflation rates" to determine the extent of such subsidies. As a first step toward economic recovery, conservative economists like Octavio Bulhões and Mário Henrique Simonsen have called for the deindexation of the economy. By withdrawing subsidies from a myriad of economic projects and programs, they argue, inflation could be brought down and recovery would be rapid. Should this advice be followed, gasoline will cost at least 80 percent more.

What is on trial in Brazil is state capitalism and its attendant vagaries of inflation, state subsidies and foreign debt. The inflation rate between August, 1982, and August, 1983, was 153 percent, but the dollar-cruzeiro exchange rate rose 246 percent during the same period. Monetary correction was set at 140 percent, wage adjustment at 105 percent, and the consumer price index at 131 percent. With a monthly inflation rate of 9 percent (as of May), middle class Brazilian homeowners could plan on a 135 percent annual increase in their mortgage pay-

⁴J. E. Dias Costa, *A moratoria brasileira e a economia nacional* (Lisboa, 1932), pp. 2, 18–19, 26–33.

⁵Donald E. Syvrud, *Foundations of Brazilian Economic Growth* (Stanford: University Press, 1974), pp. 21–22, 186–188.

⁶Werner Baer, *The Brazilian Economy: Its Growth and Development* (Columbus, Ohio: Ohio State University Press, 1979).

⁷Rosemary H. Werrett, "Looking for Financial Medicine," *Institutional Investor*, July, 1983, pp. 279–284.

⁸*Veja*, May 25, 1983. Much of the statistical information that follows comes from *Veja*.

ments. Government subsidies continued to be hefty in 1983: US\$1.8 billion to wheat; US\$1 billion to sugar, and US\$700 million to petroleum, all benefiting the consumer, along with US\$1.8 billion to the agricultural sector and US\$1.4 billion to the export sector. The \$100-billion foreign debt includes \$16.5 billion owed to the 10 largest United States banks, with Citibank leading the pack at \$4.4 billion, Chase Manhattan with \$2.4 billion, and Bank of America with \$2.3 billion.

To conform to the IMF agreement in June, Planning Minister Antônio Delfim Netto (in charge of SEPLAN) put together an economic package that included a drastic reduction of the federal budget, especially subsidies for the 353 federal *estatais* which together employ 1.4 million men and women. Brazil's municipal, state and federal *estatais* jointly employ over 4 million people, or the equivalent of the population of Norway. The 10 largest *estatais* gobble 55 percent of the budget, hold about 60 percent of all foreign debts, but produce only about 30 percent of the GDP. Furthermore, state corporations owe each other an unknown amount of cruzeiros. VASP, the state airline of São Paulo, has a past-due fuel bill of over Cr\$20 billion owed to Petrobrás. The state of São Paulo required Cr\$2.4 trillion in 1983 to meet its annual needs but state planners estimated that revenues would fall short by about Cr\$300 billion. The state sought a Cr\$9-billion cancellation of its debt to Petrobrás by offering it exploration rights to an oil field of the defunct Paulipetro, São Paulo's state oil firm, which consumed US\$400 million in three years of life but came up dry. Petrobrás rejected the offer. Poland attempted a similar, unsuccessful swap with the Brazilian government: Poland's Antarctic lands in lieu of its US\$1-billion debt to Brazil.

Estatais are middle class dream boats. Many offer their employees 16 paychecks per year, plus bonuses and profit-sharing plans. Negative interest loans (at 4.5 percent) to finance automobile purchases, weddings, maternity expenses and even overseas educations have been plentiful. By contrast, the commercial interest on a loan in November, 1983, was an unthinkable 480 percent. Petrobrás employs 50,000 people and the venerable Bank of Brazil, the oldest *estatal*, has 120,000 employees. In Rio alone, the bank has a veritable army of 12,000 workers. Employees of the bank enjoy company country clubs, known as athletic clubs, and interest-free loans for vacations, payable in 10 installments. In 1982, less than one percent of the *estatais'* employees were laid off, and layoffs in 1983 were not expected to exceed the previous year's figure. In 1983, five of the ten largest federal corporations still received an increase in their budgets, discounting the inflation rate. Delfim's tight fiscal package brought irate federal employees into the street. The president of the Bank of Brazil went to Brasília to inform his

superiors that the 120,000 bank employees would take the government to court if the new economic policy were to cancel the 63-year-old custom of granting a 25 percent bonus on top of regular salaries.

By late July, Brazil was ready to show its austerity plan to the IMF. It proposed to reduce the 1984 deficit to zero while holding it at Cr\$19.15 trillion for 1983. Brazil would keep its monthly inflation to 5 percent for the remainder of 1983 and at 2.5 percent for 1984 or, cumulatively, 55 percent for the year. A wagging tongue defined the IMF, or FMI in Portuguese, as a "Força de Missão Impossível" (Mission Impossible Force) that the country could hardly tolerate. In protest, Carlos Geraldo Langoni, president of the Central Bank and one of the economic trio who has managed the debt since 1982, resigned in early September. To accomplish such optimistic goals, Langoni argued, Brazil would be forced to pay too high a social price. By mid-November, Social Welfare Minister Hélio Beltrão had also resigned.

Between June and September, the chieftains of the ruling party and the economic technocrats were holding daily meetings to work out plans to meet the IMF demands and, at the same time, to avoid a rash of political opposition from PDS and the pro-government business community. Their conclusion: Brazil must find US\$26 billion to cover the remainder of 1983 and 1984.

In the eye of the political storm were five wage control decree-laws—Numbers 2012, 2024, 2045, 2064, and 2065. All five were written to take Brazilian wages off the automatic full inflation adjustment (indexation). To varying degrees, they allowed adjustments ranging from a full 100 percent to a total value of three minimum salaries (the basic wage index), and then were scaled down as salaries went up. Many businessmen supported lower settlements than the indexation rate wage settlements. The century-old Matarazzo empire (the second largest private Brazilian company in 1979 and the twenty-second largest in 1981) went to court to declare the bankruptcy of 11 of its companies in July, leaving behind a debt of US\$160 million.⁹ Business failures increased and lower wages seemed to be the answer as 1983 dragged on.

But between August and October, both the ruling party and the opposition began to rally to oppose what one Rio journalist called "economic dictatorship." Wage bills 2045 and 2064, which were in fact decree-laws although technically they needed congressional sanction, were vigorously fought by PDS congressional leaders and some of Figueiredo's own ministers. Decree-law 2045 granted an 80 percent wage adjustment across the board, while 2064 allowed a still lower adjustment: those making 15 minimum salaries (a typical middle-class income) would get a 68 percent increase over the INPC rate while those earning 40 minimum salaries would get 30 percent. Figueiredo's own leaders in Congress urged him to kill the bill. He did so, replacing it with a new wage control law, Number 2065.

⁹A history of the Matarazzo family and its business interests was written by José de Souza Martins, *Conde Matarazzo: o empresário e a empresa* (São Paulo, 1973). *Latin American Weekly Report* (August 5, 1983); *Veja*, July 27, 1983.

Decreto-lei 2065 was written by a group of political, economic, and legislative advisers. It was still considered by Delfim to be inflationary, but in order to avoid political fallout, he went along. The law preserved a 100 percent INPC adjustment for those who earn up to three minimum salaries. The country has 48.2 million workers, of whom 37.2 million fall into this category. Together, they claim 33.7 percent of the total national income.¹⁰ Those who earn ten minimum salaries* would receive an INPC adjustment of up to 80 percent, as opposed to 77 percent under 2064. The law was designed to please the middle and upper classes as well. It would allow mortgage payments to rise no higher than 80 percent of the largest wage adjustment, thus still subsidizing the homeowners. This segment of the law will continue until June, 1985.¹¹ PMDB and PT (Workers party) have declared that they oppose 2065, while PDS, PTB, and PDT (Brizola's party) have chosen to support it. As of late November, the government even secured the support of PDS dissident Deputies, making passage of the law assured. Meanwhile, in São Paulo and Rio, labor unions planned strikes to press for a full 100 percent wage adjustment for everyone.

BRAZIL REVISES THIRD WORLDISM

Since 1964, the government has had two distinct foreign policy goals: anti-communism to 1974 and third worldism since. In the early years of military rule, internal security considerations led Brazil to maintain a tough anti-Communist foreign policy. As the economic miracle became a reality, however, the government revised its foreign policy. Its burgeoning domestic industries needed overseas markets to grow, and its financial seaworthiness depended greatly on the continued expansion of exports. Thus, by the time Ernesto Geisel took over the reins of government in 1974, Brazil was ready to embark on a new foreign policy.

The author of this policy was Antônio Francisco Azeredo da Silveira, a diminutive nationalist career diplomat and foreign minister in the Geisel administration, who championed close economic ties to third world countries and insisted that ideological factors must not figure prominently in Brazil's search for new markets.¹² Thus he rejected the bipolar East-West doctrine and promoted a more realistic North-South perspective as the foundation for Brazil's foreign policy in the 1970's and 1980's. Silveira steered Brazil closer to Europe and Japan, soft-

ened its ties to the United States, and strengthened trade relations with third world economies, in particular, those of Africa, the Middle East, and Latin America. The petroleum crisis of 1973 further convinced the Geisel government of the practicality of such a policy, soon dubbed "responsible pragmatism." In 1967, Brazil sold 12.8 percent of its exports to third world countries, while in 1981 the figure reached 25.7 percent. In monetary terms, the trade expanded from US\$1.1 billion to US\$8.3 billion. In 1981, the third world connection grew even faster: Brazil sold 51.7 percent of its export manufactures (US\$6.1 billion) to the third world and 46.4 percent to the industrial North (US\$5.5 billion).

To the Foreign Ministry, known as Itamaraty, there is little doubt that Brazil's future lies with growing third world economies. Between 1965 and 1975, Brazil cast 47 percent of its votes along with the third world on some 1,600 issues in the United Nations.¹³ By the time United States President Jimmy Carter came into office in early 1977, Brazil had been practicing its new foreign policy both in trade and political relations. The first sign of Brazil's drift away from its traditional position of subservience to the United States emerged when President Carter was unable to persuade Geisel to commit Brazil to the nuclear nonproliferation treaty and to speed up the process of curbing human rights abuses. To Itamaraty's delight, Geisel ordered the United States military mission to leave. Bilateral relations between the two countries remained cool and subsidized trade issues became a focal point of disagreement, until President Ronald Reagan came into office.

In the past year, third worldism has come increasingly under attack by economic technocrats and the military, despite a US\$10-million trade credit granted to Nicaragua by Brazil. Delfim and his economic team know that it is New York, London, Paris and Tokyo that hold a life-and-death line on Brazil, not Asunción, La Paz, Tripoli and Luanda. Trade with Argentina and Mexico has declined; trade with each nation was expected to be under US\$1 billion in 1983. Thus, the exigencies of Brazil's financial dilemma have reshaped its foreign policy-making at the expense of Itamaraty, leaving SEPLAN and other economic ministries with the ear of Figueiredo and the military. Not surprisingly, one of the harshest critics of Delfim is the Brazilian Foreign Ministry, especially Foreign Minister Ramiro Saraiva Guerreiro. Although he is circumspect in his public utterances, he has been making it clear that Itamaraty does not agree with Delfim's course of action.

Toward the end of November, international bankers were finally satisfied with Brazil's new economic policy, including wage law 2065, and agreed to a new loan of US\$6.5 billion with the IMF at the ready to meet with Delfim for the final details of its release. For the time being, third worldism has to settle for second place in Brazil's foreign policy.

Since 1974, the military component that has domi-

*Cr\$571,200 or US\$678 a month at an early November exchange rate.

¹⁰For an interesting view of income distribution in Brazil, see Luiz C. Bresser Pereira, *Economia brasileira: uma introdução crítica* (São Paulo, 1982), pp. 77-89.

¹¹*Jornal do Brasil*, October 27, 1983.

¹²Wayne A. Selcher, ed., *Brazil in the International System: The Rise of a Middle Power* (Boulder, Co.: Westview Press, 1981).

¹³Speech delivered by Ramiro Saraiva Guerreiro at FIESP, São Paulo, May 19, 1983. Celso Lafer, *Paradoxos e possibilidades: estudos sobre a ordem mundial e sobre a política exterior do Brasil num sistema internacional em transformação* (Rio, 1982), pp. 151-175.

nated the Brazilian government has come from moderate officers whom Geisel so skillfully manipulated. But the moderate wing of the armed forces that supported Itamaraty in its overall foreign policy has been divided over the rapprochement that the Reagan government has so enthusiastically pursued. Months before President Reagan's December, 1982, visit to Brazil, Planalto** officials let it be known that the American President was eager to assist Brazil in solving its financial problems. During his visit, President Reagan announced that Washington had granted a US\$1.2-billion loan to Brazil. The influence of Itamaraty, which had been on the wane for months, was further reduced when the Planalto and the American embassy dealt with each other directly in making plans for the state visit. Since then, Brazil has been under pressure from the United States to take a stronger stance against the Soviet Union and Cuba in Central America. The Brazilian government—or at least Itamaraty—nonetheless refused to accept the Reagan thesis that the Central American turmoil was caused by the Soviet–Cuban export of terrorism.

In early March, however, the military within the government began to lean toward President Reagan's interpretation. Itamaraty was ordered to tone down its third worldism and its call for a new international economic order, which has alternately displeased and frightened some of President Reagan's advisers. The Brazilian representative in the nonaligned nations' meeting in New Delhi spoke against the Soviet invasion of Afghanistan. In April, the military made a most significant decision in favor of President Reagan's position with regard to Libya.

Colonel Muammar Qaddafi, Libya's leader, has been known for his support of Nicaragua. In mid-April, he asked Brazil to grant authorization for four Libyan commercial aircraft to make a refueling stop in Manaus. The planes, Qaddafi explained, were en route to Nicaragua with medical supplies, given by Libya to the Sandanistas for "humanitarian reasons." As far as Itamaraty was concerned, there was no reason to doubt the word of a foreign government, particularly Libya, an important Arab trading partner for Brazil. (In 1982, Libya bought some 150 Tucano jet trainers at the cost of US\$200 million.) Tipped off by United States intelligence, however, the Brazilian military learned that the planes—three Ilyushins and one Hercules—were in fact ferrying Soviet weapons, spare parts and other hardware.

Although Itamaraty resisted the idea, Air Force Minister Délio Jardim de Mattos, a military school classmate of President Figueiredo's, took the case to the Planalto and won the support of the military advisers on the question of stopping the planes and inspecting them. In the end, the military prevailed. All four planes were inspected and it was revealed that they contained military cargoes, not medical supplies. The air minister accused Itamaraty of

practicing "irresponsible pragmatism," which resulted in the violation of international aviation conventions and, not incidentally, compromised the integrity of Brazilian sovereignty. Libya was asked to take the cargo back to Africa.

A DIRECT ELECTION FOR 1985?

Brazil's so-called "official party," PDS, was weakened in 1983 by the foreign debt crisis, Figueiredo's health problems, and ever deepening divisions among the presidential advisers. Furthermore, Figueiredo's reluctance to name and groom a successor, his severing of ties with Geisel's closest advisers, known as the palace group (*palacianos*), especially his removal of General Golbery do Couto e Silva and some second-echelon officials, alienated many military men. Golbery, who broke a two-year self-imposed silence, gave his assessment of the presidential lottery. General José Luís Coelho Netto, the leader of the hard-liners of the army, had been twice passed over for promotion to the fourth star, cutting short his career and at the same time dashing the hard-liners' dream of holding onto the presidency. Golbery contended that Octavio Medeiros, director of the National Intelligence Agency (SNI), would be a logical choice after Coelho Netto was out of the picture, but Medeiros has been in the limelight too frequently. For the time being, there is no promising military candidate for President in 1985.

From the government party, Vice President Aureliano Chaves is Figueiredo's faithful deputy, but he has been kept out of the inner council of government in key decisions. He was twice Acting President while Figueiredo was in Cleveland, Ohio, for surgery. Lately, however, Chaves has been leaning toward the opposition view on foreign debt management, arguing that Brazil needs some breathing space. Minister of Interior Mário Andreazza, a former army colonel and friend of Figueiredo's, has recently been using his office adeptly to shore up his electoral base. He has built some two million low-cost houses and plans to add three million more by 1985. He will be the only PDS candidate who will have visited all 4,000 Brazilian counties as well. Figueiredo supports him in a low-key manner, but some of the Planalto officials do not. Delfim does, but other economic technocrats do not. Golbery openly disdains Andreazza, and Geisel is quite reserved toward the minister.

Paulo Maluf, former governor of São Paulo, is a third

(Continued on page 87)

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**President Figueiredo governs from the Palácio do Planalto, often referred to simply as Planalto.

"... Ten years after the advent of the military government in Chile, the regime has fewer active supporters than it did at the beginning, and opposition elements have been able to survive, albeit with some difficulty."

Chile's Political Instability

BY ARTURO VALENZUELA

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MAY 11, 1983, marked an important turning point in recent Chilean history. On that day, Chileans from all walks of life kept children home from school, and in the early evening hours banged pots and pans and honked automobile horns. The protest against the economic measures of the Pinochet regime and authoritarian rule in general was called by the National Workers Command, a loose grouping of labor unions headed by copper workers' leader Rodolfo Seguel. The demonstration far exceeded the expectations of its organizers. Particularly significant was the widespread support in middle and upper middle class neighborhoods, where the government used to count on strong backing.

The protest was the first mass demonstration against the government of General Augusto Pinochet, who seized power on September 11, 1973, by overthrowing the elected government of socialist President Salvador Allende Gossens. The demonstration signaled an end to the fear of government repression, opening the way for more mass demonstrations and for a regrouping and rejuvenation of fragmented and ineffective opposition forces.

The success of the May protest led to a second and larger protest in June. In some working class communities, residents lit bonfires in the streets, threw rocks and looted stores. There is evidence, however, that much of the looting (as well as sniper fire from unidentified cars) was conducted by government security forces, anxious to discredit the overwhelmingly peaceful protest.

The authorities soon came to the realization that the protests could not be dismissed simply as the work of a few hoodlums or political extremists. In an effort to prevent further escalation of dissent they arrested the protest leaders, including Seguel, and charged them with disturbing the peace. In response, the National Confederation of Copper Workers, one of Chile's most powerful labor organizations, called for an unlimited strike and demanded the immediate release of union leaders.

The government moved swiftly to meet the challenge of the copper workers, illustrating the awesome power of an authoritarian regime. Minister of the Interior Enrique Montero summoned the editors of all the country's publications and the directors of all television and radio stations and warned them against printing any news

about protests, strikes, political parties or labor unions. At the same time, striking workers and union leaders were fired, their union headquarters were closed, and meetings or assemblies in the mining communities were prohibited.

Within a matter of days, the regime effectively broke the national strike. In the face of thousands of workers who showed up to apply for the copper miners' jobs, labor leaders asked to speak to the minister of the interior to plead for a reinstatement of fired workers. Montero agreed to examine the situation of each miner on an individual basis, contributing to further insecurity in mining communities. The minister of the interior also met with other union leaders who had supported the strike, including the leaders of the truckers union, and indicated a willingness to try to solve the serious indebtedness problems of striking truckers.

With newspapers censored and union leaders attempting to reach an accommodation to protect their jobs, the protest movement appeared dead. However, the mood in the country was electric, and opposition groups sensed that they had to maintain the momentum of the May and June protests. Almost by default, the leadership of the protest movement shifted to the opposition party leaders.

Chile's outlawed political parties had been severely curbed by the government, which arrested, killed or exiled party leaders and prohibited all organizational activity. Without legal standing, and vulnerable to immediate arrest or exile without trial, party leaders were unable to call the May protest. But once a protest movement had begun they could effectively move into the vacuum left by union leaders. The protests did not require a massive organizational effort; they only required setting a date for the July national protest and publicizing it.

Ironically, when the authorities ordered the arrest and the solitary confinement of former Foreign Minister Gabriel Valdes, once head of the Christian Democratic party, for his responsibility in the printing of thousands of leaflets calling for another protest, they immeasurably helped the task of the opposition. Press censorship and widespread popular confusion had previously hampered news of the demonstration. With Valdes's arrest and the broad international outcry it engendered, the word spread quickly that another protest was in the offing. Chile's most prominent opposition leaders gathered in the halls

of the Supreme Court building, under judicial protection, to attend the Valdes hearings, applauding enthusiastically when individuals paraded around with signs with the number "12" written on them. Through word of mouth, Chile soon learned that the protest was scheduled for July 12, a date confirmed by hundreds of thousands of pamphlets printed by other political groups and distributed throughout the country.

The ultimate success of the protest was guaranteed by the imposition of a curfew during protest hours, the first early evening curfew to be ordered by the Pinochet government since 1973. The absence of motor traffic during the protest heightened the rhythmic clatter of pots and pans, which engulfed the city of four million people, from the upper class neighborhoods of Vitacura, to middle class La Reina and working class Lo Valledor. This time the police responded harshly, firing shots into the homes of protesters and arresting and beating individuals who set bonfires in the streets and violated the curfew. A month later, in an August protest on the eve of the tenth anniversary of the Pinochet regime, repression was even more intense. Some 18,000 troops joined policemen in the streets, at times shooting into the homes of demonstrators and killing 27 people, including several children.

The spontaneity of the Chilean protests, which mushroomed with little advanced planning, clearly indicates the widespread dissatisfaction with the Pinochet government and is a far cry from the seemingly calm and prosperous days of 1980 and 1981, when many observers touted Chile as a miracle of economic development and Pinochet's government as a model of political stability. The protests vividly demonstrate the failure of those economic policies and the growing resentment of an authoritarian government style in a country that prided itself on having one of the most stable democracies in the world before the 1973 coup.¹

THE ECONOMIC BACKDROP

With the support of a group of economists trained at the University of Chicago, the Pinochet government tried to modernize the Chilean economy by instituting several far-reaching measures. Tariff barriers were drastically lowered on the assumption that Chile's weak economy required foreign competition to improve its industrial efficiency and encourage the creation of new export industries based on the country's comparative advantages. At the same time, state intervention in the economy was drastically reduced. State firms were sold to newly formed financial groups; government budgets were reduced; price controls and other regulations were eliminated; and

programs in health care, social security and education were entrusted to the private sector.

Chile's economic policymakers were able to reduce Chile's hyperinflation, eliminate government deficits, redress Chile's negative balance of payments, and encourage nontraditional exports. However, their economic policies also proved to be catastrophic to the long-run health of the Chilean economy.

In the course of the last eight years, economic power has become highly concentrated in the few large financial groups that benefited from the privatization of the economy and the sale of government-held firms at bargain prices. Their position was also strengthened by indiscriminate borrowing from foreign banks, which tripled Chile's debt between 1977 and 1981 and left the country with a colossal debt of over \$18 billion, one of the highest per capita debts in the world. What is more, borrowed money was generally not invested in productive activities, but was used to speculate in real estate and to finance a massive increase in imported goods, mainly large consumer items like automobiles and television sets. In 1981, Chileans earned \$3.9 billion on exports and expended \$6.3 billion on imports, with \$1.3 billion going for three categories of nonessential consumer goods.

The reduction in tariffs severely undermined domestic industry, which was unable to compete with foreign imports despite low wages and severe restrictions on the labor movement. Hundreds of Chilean firms have gone bankrupt, throwing thousands out of work; a record 810 firms closed their doors in 1982. Unemployment, which averaged below 5 percent in the late 1960's and early 1970's, has exceeded 15 percent since the implementation of the "shock" policy of the "Chicago boys" in 1975.

Given the weaknesses of the Chilean economy, the international recession has had a devastating effect on the country. The gross domestic product (GDP) plunged 14.3 percent in 1982, while industrial production was down 22 percent. Production of durable goods dropped 56 percent; the production of construction materials fell 30 percent. (By contrast, the GDP for the rest of Latin America, which has also been reeling from the effects of the world recession, dropped 1 percent in 1982, while industrial production was down 2.2 percent. For developing countries as a whole, industrial production was up 1.8 percent.)

Agriculture has been equally devastated: countless farmers have gone out of business and most have been so heavily burdened that they cannot meet their financial obligations. This in turn aggravates the balance-of-trade situation, as Chile continues to import large quantities of foodstuffs.

The severe recession sent unemployment skyrocketing to 30 percent, including the almost half a million workers in government work programs in 1983, who were paid about \$25 per month for full-time work. Added to these woes was an inflation rate of about 30 percent and a consequent sharp drop in real wages. Indeed, real wages

¹For an article praising the "success" of the Chilean economic model and regime stability, see Peter Dworkin, "Chile's Brave New World of Reaganomics," *Fortune*, November 2, 1981, pp. 136-144. For an article written at the same time that presented a different view, see Arturo Valenzuela, "Eight Years of Military Rule in Chile," *Current History*, February, 1982, pp. 64-68, 88. Readers interested in more background on the Chilean regime can consult that article.

in 1983 were still lower than they had been in 1969.

Predictably, the severe crisis in the Chilean economy led to the collapse of the banking system. In mid-1983, bad loans accounted for 113 percent of the capital and reserves of the entire banking system, forcing the government to take over most of Chile's private banks. The Chilean government, which is still committed to the principle of free enterprise, now controls 85 percent of all credit in the country and has poured hundreds of millions of taxpayer dollars into propping up financial institutions, much to the resentment of other businessmen, large and small, and consumers, who are unable to meet their payments. Banks, with government support, have been forced to reschedule debts and mortgages, although many small businessmen, farmers, homeowners and consumers have opted not to reschedule debts for fear that this would aggravate their financial burdens. Many hope that banks and financial institutions are so burdened with bad loans that they will be unable to collect or foreclose. This is particularly true of new automobile owners, like taxi drivers, who borrowed in dollars believing Pinochet's assurances that the peso would never be devalued. Today, the peso is worth half of what it was when they took out their dollar loans, and they cannot earn enough money to pay interest, let alone meet the other obligations of a family budget. Many debtors have simply left the country. The three-province region near Temuco has been dubbed the "Bermuda Triangle" because so many people have "disappeared."

The Chilean economy continued to fall in 1983 with a GDP drop of another 7 percent in the first six months of the year, and it will probably close out the year with a decline of about 2 percent overall. As a result of this continued sluggish performance, Chile was forced to renegotiate its massive foreign debt, which is equivalent to 60 percent of the gross domestic product (twice that of Brazil and one-third larger than that of Mexico or the average for Latin America). Interest payments alone on the debt represented 12 percent of the GDP in 1983. But renegotiation of the debt only puts off heavy payments to future years. In 1985-1986, interest payments are scheduled to increase four times, representing 64 percent of the value of 1982 exports. The reticence of international banks to lend further to countries like Chile, coupled with the country's enormous financial obligations and the restrictive growth targets set by the International Monetary Fund (IMF), threaten to strap the country's ability to reactivate the economy, placing severe constraints on a political leadership that has little genuine support.

THE POLITICAL BACKDROP OF THE CRISIS

It would be a mistake to attribute the difficulties of the Pinochet government exclusively to economic problems, bad as they are. Indeed, many Chileans see the economic difficulties as a direct result of authoritarian rule. They are the result of a political system that allowed government technocrats to impose their theoretical models with

little input from societal forces. Not only did elements of the working or middle class find themselves excluded by the regime, big and medium-sized business interests also found that they had no say in the policymaking process. Legislation is adopted behind closed doors with only token consultation. The government Junta, formed by the commanders of the four services and nominally the legislative branch of government, has little actual power; most legislative measures are hammered out in ministerial working groups and approved by groups advising the President, who has managed to concentrate most of the political power in his own hands.

Much of the social and economic policy of the regime was the product of the work of a small group of dogmatic young technocrats who owed their success to the strong support given them directly by Pinochet. In turn, Pinochet seemed comfortable with this arrangement, for it meant that he was not forced to rely on or deal with organized interests or pressure groups, which might have limited his autonomy and authority. Except in the field of foreign affairs, the Pinochet regime has rarely drawn on individuals with important track records in other spheres of society to fill top government posts. The regime excludes prominent leaders of the political right or the business community who strongly supported the government in its early years and can take credit for encouraging the coup.

The result of this state of affairs is that even before the economic crisis became acute, Pinochet had lost the active allegiance of many of Chile's business groups and many of its professional societies. The former were upset at policies that placed them at the mercy of foreign imports; the latter decried government measures designed to curb any voice they had in the recruitment and certification of members and in the development of public policies related to their work. By 1982, many small and medium business associations, like retail merchants, truckers confederations and farmers associations, which had played a key role in bringing down the Allende government, were calling for broad political change, and most of the professional associations were in the hands of the opposition.

At the same time, the regime failed in its stated objective: to render Chile's historic union movement and political parties obsolete. Its closed decision-making style and contempt for consultation soon led the moderate white-collar labor leaders who initially supported the regime to abandon the government and to structure ties with working class unions; these had remained strongly anti-government despite the efforts of the authorities to break the labor movement by removing its leadership and severely curtailing traditional union prerogatives. In March, 1982, Tucapel Jiménez, the leader of the middle class National Association of Government Employees, was brutally murdered at a time when he was building close working ties with a broad range of opposition elements in labor and other groups. His murder indicated

the acute concern felt by the security forces over the growing assertiveness of labor.

Even if the government could not suppress opposition leaders while labor retained legitimacy, political parties were strongly curbed by the authorities. Political leaders were continuously vilified as self-serving and corrupt, responsible for the moral decay of the country. Parties on the left were severely disrupted, and their leaders were killed or exiled. The centrist Christian Democrats, who strongly opposed the Allende government after initially supporting it, were tolerated by the regime until they began manifesting open opposition to government policies and human rights violations and advocated an early return to democracy. Prominent Christian Democratic leaders, including the party president, were exiled.

Nevertheless, parties managed to maintain some organizational structure and channels of communication to intermediate leadership groups and militants. Particularly successful in this regard were the Communist party and the Christian Democratic party, parties which suffered fewer internal splits than the Socialists and some of the smaller parties. Political parties also retained considerable authority in the organizations of civil society, like labor unions, neighborhood associations and even soccer clubs.

The Roman Catholic Church in Chile played an important role in helping to provide organizational space for opposition groups and parties. Although most Chilean bishops welcomed the coup, prominent church leaders took strong exception to the harsh measures and the systematic violations of human rights that followed. When the government began to persecute prominent laymen, including leaders of the Christian Democratic party, the Church, under the leadership of Cardinal Raul Silva Enriquez, took an active role in providing an "umbrella" for organized groups. In working class neighborhoods, church parishes became important centers of solidarity for people suffering from economic hardship or political persecution. Parishes served as centers for cultural activities and as havens for the opposition's organizational efforts. At the national level, the Church provided legal aid for human rights cases and set up institutions where scholars dismissed from the universities could continue their work.

In sum, ten years after the advent of the military government in Chile, the regime has fewer active supporters than it did at the beginning, and opposition elements have been able to survive, albeit with some difficulty. Political parties retain considerable legitimacy and many of the same political leaders who played prominent roles in the past are likely to do so again.

THE FUTURE OF THE REGIME

Perhaps the greatest irony of the Chilean military government is that it has become a victim of its own legality. The constitution of 1980 was designed to provide an ad hoc military regime with a measure of institution-

alization. The original draft of the constitution called for a relatively short transition period and for elections of a more circumscribed Parliament and a strong President. Pinochet, however, overruled the Constitutional Commission and the Council of State and submitted to a national plebiscite a constitution that designated him as President for another eight years beginning in March, 1981, with a provision that the Junta, which he dominates, could select him for an additional eight-year term. Pinochet's "transitional" articles also precluded the formation of political parties or the election of a Congress until 1989, the end of his term as President. Many supporters of the government on the political right thought these measures were extreme. They felt that they had no choice, however, and supported Pinochet because opposition to the constitution from the right would threaten to undermine the regime.

Observers questioned the legitimacy of the plebiscite that led to the ratification of the constitution with over 60 percent of the vote. The government had a virtual monopoly of the mass media, allowed no alternative proposal to be presented or debated, and provided no adequate guarantees against retaliation for opposing the measure, a factor which weighed heavily in smaller towns and neighborhoods. The government and the military accepted the constitution and the plebiscite as the fundamental basis for regime legitimacy. This means that it is very difficult for the military to conceive of cutting back on Pinochet's term without violating its own constitution and the legitimacy of its 10-year rule. But in the wake of massive national protests, many supporters of the government, including prominent sectors on the political right, realize that regime survival and, more important for them, a peaceful transition to democratic rule on their terms, depend on moving up the timetable for regime change.

This is precisely the argument that Sergio Onofre Jarpa, Chile's former ambassador to Argentina, made to Pinochet when the President turned to him for aid in coping with the fall-out from the demonstrations before the August protest. Jarpa's entry into the Cabinet marked the first time that Pinochet entrusted authority to a man with extensive political antecedents. Jarpa was one of the founders and head of the conservative National party and has close ties to important elements in the business community. That community has been dismayed by economic policy but is fearful that an escalation of the protests might lead to a catastrophic rupture of the regime and a swing toward a leftist government.

Jarpa proposed that while dealing firmly with protests, the government should establish a dialogue with the non-Communist opposition; discussions would aim at reaching agreement on a series of measures that would open up the political process, including legalizing parties in the next year or so and providing for the inauguration of an elected legislature before the 1989 date specified in the constitution. Jarpa's assumption was that such a

dialogue would help to diffuse the social tension by channeling the energies of opposition political groups into a preoccupation with the new party law, and to jockeying for electoral advantage in upcoming congressional elections.

In August, 1983, while elements on the right were attempting to persuade Pinochet that the crisis could best be handled by liberalizing the regime, opposition parties laid aside their historic differences and formed the Democratic Alliance. The Christian Democratic party played a key role in structuring the Alliance, which also includes the Radical party, the Social Democratic party and a newly unified Socialist party. The Alliance issued a call for Pinochet's resignation, the structuring of a popularly elected Constituent Assembly, and a broad social pact among opposition forces that would help to ensure restraint in dealing with the difficult task of reconstructing the national economy.

In the months of September and October, 1983, Alliance leaders attended three separate "dialogues" with Jarpa, held under the auspices of the new Archbishop of Santiago, Francisco Fresno. Jarpa sought to obtain support for a joint commission to examine party laws. The Alliance in turn presented a series of demands, including the legalization of party leadership, access to television for opposition forces, a guarantee of the right of assembly and a resolution of the problem of exiles.

There is little doubt that Jarpa and the Pinochet regime gained some breathing ground with the onset of the talks. The talks took the edge off the protest movement; many citizens welcomed Jarpa's open style and his promise to find a solution to the country's problems through peaceful means. In particular, the business community and other sectors of the right regained confidence in the government, responding favorably to Jarpa's promises that the technocrats identified with past economic policies would be removed and that a more pro-business policy would be followed.

At the same time, the talks disconcerted many in the opposition who felt that the leaders of the Alliance were being used by the government; they criticized Gabriel Valdes and his colleagues for not pressing for the resignation of Pinochet. The authorities further undermined the position of the Alliance by enacting in secret a far-reaching anti-protest law that holds the leaders of a protest criminally responsible for any violence. And the hard-line prefect of Santiago Province announced that any opposition demonstrations would require payment in advance to the authorities of a certain amount of money for every square meter of public property occupied by protesters.

The Communist party was the main beneficiary of disillusionment with the Alliance leaders' willingness to talk to Jarpa. It moved quickly to form an alternative movement, the Popular Democratic Movement, joined by dissident elements of the Socialist party backing former Foreign Minister Clodomiro Almeyda. The MDP

received strong support from other organizations, claiming widespread grassroots support from neighborhood organizations, church-affiliated groups and solidarity groups who joined MDP in sponsoring protests defying both the government and the political forces represented in the Alliance.

But the Alliance was not the only political group that lost ground in the talks. Jarpa himself soon ran into serious difficulties that further undermined his credibility. His difficulties stemmed from his realization that as minister of the interior he had in fact little real political clout. Traditionally the head of the Cabinet in Chilean constitutional practice, the Ministry of the Interior had been deprived of both its control over the police, which was now directly under the Ministry of Defense, and control over interior government, now directly in the hands of the President. But, even more significant, Jarpa's problems stemmed from Pinochet's apparent refusal to honor his commitment to go along with a genuine opening-up of the political process. While Jarpa was trying to convince the public of the wisdom of dialogue and liberalization, the President made several political speeches saying that politicians could not be trusted, that the constitution approved by the people was inviolate, that it could not be altered by political or government leaders, and that he was pledged by honor to stay the course. He openly hedged on the suggestion that congressional elections could be held by 1985 and noted that the study of a political parties law should include representatives appointed by regional military authorities, whom he directly controls. With increased signs of government repression, Jarpa's position seems to be virtually untenable, much to the chagrin of political leaders on the right, who regard his efforts as the last best hope for the regime.

Compounding Jarpa's problems is Pinochet's unwillingness to give Jarpa and his colleagues greater voice in economic policy, the sine qua non to satisfy business supporters of the regime. Fearing that a turnover of economic policy to Jarpa would undermine his own authority, Pinochet has continued to back the technocrats identified with the Chicago model. A key turning point was Jarpa's failure to persuade Pinochet to remove Carlos Caceres, the minister of finance, after the President had apparently agreed to Caceres's removal. Economic policy thus continues to be contradictory, and Jarpa and his associates fear that the crisis is so severe that without some change the government is doomed.

In order to strengthen his position, Jarpa has made it no secret that he is encouraging the formation of a politi-

(Continued on page 88)

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"As the new government confronts its 1984-1989 constitutional period, the challenges are uncommonly intimidating, and the prospects are less rosy than has seemed usual in Venezuela. The massive foreign debt, decline in liquidity, extensive business failures, rampant unemployment, distortions of the petroleum market . . . these are among Venezuela's grave socioeconomic problems."

The Crisis of Venezuelan Democracy

BY JOHN D. MARTZ

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ON Sunday, December 4, 1983, Jaime Lusinchi decisively won the presidential elections in Venezuela. His party, Acción Democrática (AD), shared in the victory, winning control of the bicameral national legislature. This marked the fourth successive election in which the candidate of the Venezuelan government party had been defeated by the opposition.¹ By reasonable standards, Venezuela had seemingly underscored its reputation as the most vigorous and representative system in Latin America. The openness of the political process and the stability of the two-party system further testified to the participatory and populist character of the nation. And yet, beneath the hoopla of AD victory parties and the usual eulogies to the defeated lay a systemic crisis that endangers Venezuelan democracy.

The root causes are both economic and political. The former are more readily evident, because oil-rich Venezuela has awakened to the rude realization that the years of bonanza and easy living have vanished. During the 1979-1984 term of outgoing President Luis Herrera Campins and the Social Christian party (COPEI), the once-vibrant economy virtually ground to a halt. The vast unpopularity of the Herrera government played an important part in Lusinchi's defeat of former President Rafael Caldera. In truth, however, the imposing problems confronting the new incoming administration are broadly the responsibility of Venezuela's political elite, including both COPEI and the AD. In the words of one Venezuelan commentator, "There must be examples of worse fiscal mismanagement than that of Venezuela in the last eight or nine years, but I am not aware of them."²

As the post-1958 democracy evolved, the party leadership was strikingly successful in nourishing an increasingly active pluralistic polity. Socioeconomic distortions and shortcomings were not significantly altered, however, when political progress took root. Incremental reforms have not improved the lot of the popular classes. The deterioration of the past decade in infrastructural

growth, agricultural productivity, and industrial progress are now accompanied by the mismanagement of policy. The skills of the political elites, judging from the experience of the past decade in particular, have been inadequate to the effective formulation and execution of national policy.

When Carlos Andrés Pérez of the AD won victory in 1973 and succeeded COPEI's Rafael Caldera, Venezuela was on the brink of the first explosion of oil prices. As a consequence, the Pérez government was ultimately to spend more funds during its five years than the republic spent in its 143 years of independence. His successor, Luis Herrera, came to office excoriating Pérez, accusing him of mortgaging the nation, and pledging government austerity. The view that the economy was overheated was widely accepted, and fiscal discipline was the order of the day. Over time, however, Herrera succeeded in swelling the Pérez "mortgaging" of the nation by over \$30 billion, while the economy ground to a halt.

By election day 1983 the massive foreign debt—more than double that of 1978—was nearing \$34 billion. Public indebtedness falling due by the close of 1984 totaled \$18.4 billion. An erratic and complicated three-tiered exchange rate had paralyzed both foreign and domestic investment. International creditors demanded acceptance of terms from the International Monetary Fund (IMF) before agreeing to debt rescheduling, yet electoral calculations encouraged a government refusal to deal seriously with either the IMF or foreign creditors. By the close of the year, gross domestic product had decreased by nearly two percent. The value of the bolívar had tumbled after more than a quarter-century of rock-like stability on foreign exchange markets. Inflation overpowered uneven efforts to apply price controls, and unemployment was at its highest in two decades.

This dramatic worsening of domestic conditions also diminished the role and importance of Venezuela in hemispheric affairs, most notably in the Caribbean Basin. Earlier efforts to support Christian Democracy throughout the region wavered. A confluence of policy views between Caracas and Washington was shattered in response to the United States position in the Malvinas/Falklands crisis. Venezuelan participation in the Contadora Group's efforts to mediate the Central American situation also diminished in the final stages of the Herrera

¹Under the Venezuelan constitution, a President cannot run for a second term until he has been out of office for two five-year terms.

²Carlos Rangel, "How Venezuelans Twice Squandered their Oil Wealth," *Miami Herald*, March 20, 1983.

government. Although the nation remains unmistakably influential as middle-rank powers emerge to become political brokers in the Caribbean,³ it will be for Jaime Lusinchi to determine the shape of Venezuelan participation for the near future.

As the new government confronts its 1984–1989 constitutional period, the challenges are uncommonly intimidating, and the prospects are less rosy than has seemed usual in Venezuela. The massive foreign debt, decline in liquidity, extensive business failures, rampant unemployment, distortions of the petroleum market and patterns of production, a sagging agriculture—these are among Venezuela's grave socioeconomic problems. No less disturbing, however, is the disillusionment of a politically intelligent citizenry with the failures, errors and corruptions of the government process. The electorate has grown weary of campaign promises and unrealistic rhetoric. It is scarcely coincidental that the 1983 campaign was the most muted, decorous and, by Venezuelan standards, dispirited in the 25 years of electoral competition. If the new government is to respond effectively to the accumulation of grievances and shortcomings, much of its attention must be promptly directed to the troubled petroleum industry, the engine of Venezuelan modernization.

PETROLEUM AND THE ECONOMY

To “sow the petroleum”—*sembrar el petróleo*—has been the consensual view of Venezuelan leaders for at least four decades. Since 1974, however, the flood of petrobolivares has been enormous. The profligacy of the two most recent governments has been exceptional. This was first fueled by the increase of government revenue per barrel of exported oil from \$2.29 in 1973 to \$9.45 in early 1975. The developmental projects of the AD government under Carlos Andrés Pérez grew progressively more ambitious.

By the close of his administration, however, Venezuela found its growth distorted and uneven. Corruption was on the rise, mismanagement was common—especially in the plethora of autonomous or semi-autonomous state agencies—and basic economic and social problems were worsening. Despite *carlosandresista* intentions, “The system had not yet extended its economic largesse and natural resources on an equitable basis to large numbers of the population . . . the social agenda remained unfulfilled.”⁴ Thus the initial *herrerista* call for austerity and constraint was received with substantial public approval. The administration's sixth national plan (1981–1985) was designed to promote industrial development, income redistribution, and a broad movement toward agricultural

self-sufficiency. When the Iranian upheaval helped to produce another quantum rise in prices, however, the Herrera government threw caution to the winds.

Expenditures rose even beyond the levels of the Pérez years; yet the economy progressively floundered. By early 1983, it was evident that the spending spree of the past decade was drawing to a close. With both production and prices of petroleum on the international market falling and with OPEC (Organization of Petroleum Exporting Countries) decisions further restricting Venezuelan freedom of action, President Herrera conceded a 10 percent reduction in the national budget. The onrushing changes in the global oil world had been grossly underestimated by the government's economic team, while a process of politicization began to erode the independence and functioning self-sufficiency of PDVSA, the nationalized oil industry. Plans for further development were abandoned or delayed.

A major policy reversal was forced upon the projected exploitation of the vast Orinoco Tar Belt, whose non-traditional fields required new and highly sophisticated technology. Furthermore, budget cuts required an abrupt deceleration of efforts to continue the application of new drilling and recovery techniques to traditional fields. In the five years following the 1976 nationalization of the industry, the PDVSA had increased its exploration tenfold, with a capital investment of more than \$2.7 billion. By the year 2000, annual investment had been projected at \$5 billion. That such efforts were well worth the expense was suggested by the 1982 announcement that proven reserves alone had been increased to nearly 20 billion barrels from an earlier figure of 12–14 billion barrels.

PDVSA policymakers had also sharpened their marketing and refining strategies since nationalization. Greater emphasis was placed on the export and sale of heavy oil, in order to conserve the reserves of predominantly light Venezuelan deposits (notably excluding the Tar Belt). Further developmental plans, however, had to be set aside in the face of financial exigencies. In September, 1982, the controversial president of the Banco Central de Venezuela (BCV), Leopoldo Díaz Bruzual, won a bitter bureaucratic struggle with PDVSA president Rafael Alfonzo Ravard, himself a notably skillful and experienced veteran of internal struggles for power and political turf.

With the approval of Luis Herrera, \$4.51 billion in PDVSA reserves were transferred to the Central Bank. Díaz Bruzual, with support from the minister of planning, saw these funds as potentially useful in servicing the growing foreign debt. General Alfonzo Ravard, unwilling to accept a dilution of PDVSA independence, retaliated during negotiations over the terms of the transfer. Although he won such concessions as PDVSA authorization to acquire foreign exchange from the Central Bank whenever desired, he was unable to reverse the trend toward government intervention. Further restrictions on

³See John D. Martz, “Ideology and Oil: Venezuela in the Circum-Caribbean,” in H. Michael Erisman and John D. Martz, eds., *Colossus Challenged: The Struggle for Caribbean Influence* (Boulder: Westview Press, 1982), pp. 121–149.

⁴John D. Martz, “The Evolution of Democratic Politics in Venezuela,” in Howard R. Penniman, ed., *Venezuela at the Polls; The National Elections of 1978* (Washington: American Enterprise Institute), p. 27.

the industry were indicated by the announcement late in 1982 that the existing annual level of PDVSA investment—\$3.5 billion—was being frozen. This meant a reduction of \$20 billion over the next five years. The completion date for Orinoco Tar Belt projects was also pushed into the mid-1990's, at an estimated cost of \$7 billion to PDVSA planners.

While the restrictions of herrerista planners hobbled the industry's developmental plans, there was also growing political interference. This contradicted the original political consensus about the importance of the "democratic management of the industry."⁵ Independence of action and planning had emphasized relative PDVSA freedom from external interference. However, skirmishing between the industry and the Ministry of Energy and Mines became acute during the Herrera years. Meanwhile, after 1981 the opposition *Acción Democrática* was sharpening debate through congressional hearings on the management of petroleum.

Politicization was heightened as President Herrera stood aloof from the conflicts of his major advisers. The three ministries of energy, planning, and economy, along with the PDVSA and BCV officials, continued their intermittent feuding over basic policies. Selection of PDVSA board members also became increasingly partisan. In September, 1983, Alfonzo Ravard was forced from the PDVSA presidency by Luis Herrera, to be replaced by Humberto Calderón Berti, previously the minister of energy and mines. Both presidential candidates roundly denounced the action and promised a reversal following elections. In any event, the progressive intrusion of politics into the operation of the Venezuelan oil industry is a disquieting fact of life.

The significance of oil to the economy has not been diminished by events. In 1983, the budget approached \$22.5 billion, while oil revenues were sliced to \$16.2 billion. It was estimated that a \$1 dollar per barrel reduction would cost the nation nearly one-half billion dollars. A drop of 100,000 barrels per day in production would cost a full billion. When the price of market crude was reduced in March, 1983, to \$29 per barrel, the loss to Venezuela was roughly \$2.7 billion. Forgetting its initial warnings about expansive public expenditures, the Herrera government accepted eagerly the new price increase that accompanied the Iranian revolution. Blithely ignoring all remonstrances, it led Venezuela toward a deepening economic quagmire while spending more in three years than Pérez had in five. Economic stagnation was accompanied by disorderly and contradictory monetary and fiscal policies.

THE FINANCIAL FIASCO

As early as 1981, it became known that the public sector was running up a large short-term foreign debt.

⁵Credit the phrase and see the related discussion in David E. Blank, *Venezuela: Politics in a Petroleum Republic* (Stanford: Hoover Institution, forthcoming).

The following year, the comptroller general publicly estimated the public debt at \$35 billion, a figure disputed by President Herrera. Even independent estimates of the debt varied widely, but all were alarming. Meanwhile, foreign reserves dropped by one-third in 1982, to \$12 billion. The flight of capital reached unprecedented levels, until there was a loss of \$254 million in a single week in February, 1983. On February 18, the government announced the suspension of all foreign currency transactions.

For nine days the administration dithered over a new policy while creditors, financiers, and citizens awaited the outcome. When the foreign debt dropped further to \$8 billion, the Herrera policymakers again engaged in internal bickering. Central Bank president Díaz Bruzual led those advocating outright devaluation. He regarded the long-established rate of 4.3 bolivars per dollar as overvalued, arguing that 6.5 or 7 to 1 would staunch the flight of capital. Exchange controls, in his view, would merely postpone the day of reckoning. Finance Minister Arturo Sosa and Planning Minister Maritza Izaguirre sharply differed, contending that devaluation was a guarantee of uncontrollable inflation. They proposed a two-tier system of controls, with payments for basic imports and debts set at Bs3 to \$1 and non-essential imports at around Bs9 to \$1.

Finally, the government announced a three-tiered exchange system on February 28. It has proved confusing in character, economically unsound, bureaucratically unmanageable, and politically unsettling. As first proclaimed, the traditional 4.3 to 1 would apply to "essential" imports, government purchases, and scholarship funds for students abroad. Nonessential imports would be pegged to an intermediate rate, while luxury goods would be at a floating rate. Provisions for the differential treatment of public, private, and non-Venezuelan debts were both ill-defined and controversial.

As first announced, the public sector was to receive the preferential rate while service payments on debts of Venezuelan-owned companies would be permitted only if the debt could be rescheduled. Companies under foreign control would be denied this rate. An official listing of 174 "essential" items in mid-March provided limited clarification. While public officials could and did debate whether imported whisky should be labeled essential, a newly created government agency—Recadi—became a thriving bureaucracy that handled the allocation of hard currency at the preferential rate with rare inefficiency and inconsistency.

Public dialogue was exacerbated throughout the remainder of 1983 by the controversy over the repayment of foreign debts. Finance Minister Sosa believed that the three-tiered system could assure a virtual doubling of the debt burden for private companies while the public sector had access to cheap dollars. If the government could purchase dollars at 4.3 and sell to the private sector at 6 bolivars or more, the profits of the state would be par-

alleled by potential bankruptcy for many businesses. Leopoldo Díaz Bruzual disagreed angrily. When President Herrera pledged the availability of the preferential rate to private businesses in his March, 1983, annual report to Congress, Díaz Bruzual retorted that the Central Bank had not been so informed, differed with the policy, and would not honor the commitment.

The bank ultimately yielded on the issue, but remained at odds with many other government policymakers. In the meantime, Venezuela was stubbornly resisting the adoption of policies that seemed necessary if the foreign debt were to be renegotiated. Characteristic of the inherent messiness of the situation were disagreement and conflict over the very magnitude of the debt. In early 1983, the International Monetary Fund, using Venezuelan data, estimated the public debt at \$20.7 billion, with the short-term total \$6 billion. In February, the Finance Ministry announced the total as \$24.3 billion, with a short-term commitment of \$9 billion. A collective study from Morgan Guaranty Trust, the World Bank, and others put the early 1983 total at \$28.5 billion, with \$15 billion in short-term debt.

Once the February currency system was announced, negotiations began concerning a rescheduling of payments. Chase Manhattan was chosen to head an advisory committee representing some 300 bank creditors. Venezuela announced a moratorium on debt repayments until July 1, promising to produce a plan covering some \$9–\$10 billion of short-term debt. However, as the months passed, there was reluctance on both sides. Creditors were reluctant to move forward when the exchange rate was confused, and the government was unwilling to take measures which might—in the eyes of the banks—assure an economic upswing. The government itself was obviously unwilling to take drastic or decisive actions during an election campaign.

As the ~~finance~~ minister seemed to be gaining greater influence than the Central Bank president, there was some effort to reassure the private sector that its debt could be liquidated in a less negative fashion than had been anticipated. Arturo Sosa also insisted that Venezuelan problems were short-term, relating largely to liquidity and the cash flow. He continued talks that asserted a desire to refinance the \$18.4 billion in maturities due by the close of 1984. It was generally agreed that the public and private sector foreign debt totaled at least \$33 billion, of which \$26 billion was public and \$7 billion private. As negotiations remained sporadic, the private sector debt—and the problems over the rate of repayment—became a central focus for debate.

As one Venezuelan observer put it in September, "The private sector's external debt is the fundamental issue at stake here . . . [reflecting] the banking community's growing frustration over the government's refusal to deal

with the issue of private sector external debt in a forthright matter."⁶ And while discussions with creditors were inconclusive, there was comparable reluctance to deal seriously with the International Monetary Fund. When the Herrera administration turned over power in January, 1984, it left behind a legacy of ineffectiveness, divided leadership, feuding ministers, and an apparent unwillingness to exercise authority in the analysis and formulation of fiscal and monetary policy.

FOREIGN AFFAIRS

Beginning with the democratic era in 1958, Venezuela has traced a perceptibly rising path of regional influence. This has been marked by the prominence of COPEI's Rafael Caldera as an eminent statesman, and the peripatetic presence of the AD's Carlos Andrés Pérez. Under Luis Herrera Campins, Venezuela continued to exercise its role, especially in the Caribbean Basin. The President also increased the tempo of his travels as domestic conditions became intractable and his popularity plummeted. However, by the conclusion of his administration, Venezuela had experienced at least a temporary decline in importance. Owing largely to its own fiscal and economic crises, the administration perceptibly lessened its drive for regional leadership.

During 1982, Venezuela undertook a reassessment of its foreign policy, responding to the Malvinas/Falklands conflict, the assertiveness of the new Colombian government, and the decline of Christian Democratic influence in Central America. Herrera for a time mused publicly about joining the Non-Aligned Movement of third world countries. He also joined the nationalistic and Americanist sentiment that criticized the United States role in the Malvinas and later in Grenada. This precipitated a distancing from Washington. Where the Herrera government had once been subjected to the charge that it was serving as a surrogate for Yankee interests in the Caribbean, this gradually changed toward the end of the term.

As the Contadora Group initiated its efforts to promote negotiation in Central America, Venezuela worked actively in conjunction with Mexico and Colombia in particular. It was not so decisive in exercising leadership as had first been hoped. There was ill-conceived resentment at the comparative preeminence of Colombia's Belisario Betancur within the group. This was underlined by the discussions between Salvadoran rebel and government officials that took place in Bogotá, where Betancur was the beaming overseer of the talks. Venezuelan cooperation with Mexico was also marked by periodic irritation.

By the time of the ninth meeting of the Contadora Group on October 21–23, 1983, Venezuela shared the relative pessimism of most other members. The United States invasion of Grenada, the rising tempo of contra action against Nicaragua, and the progressive militarization of Central America were discouraging. There was also greater skepticism over United States willingness to

⁶Robert Bottome, editor of *Ven Economy*, as quoted in "Venezuela Debt Woes Intensify," *Journal of Commerce*, September 15, 1983.

engage in serious negotiations. The Kissinger committee* was bluntly criticized by Herrera as not being competent in Latin American affairs, while Washington's rejection of diplomatic overtures was further cited as inimical to Contadora efforts. In the words of a Foreign Ministry official in October, the 21-point Contadora peace proposal was largely symbolic, with its functions designed

to give plenty of publicity to the international warmongers, in order to slow down the arms race in Central America. Perhaps the adverse publicity will shame them into going away . . . we have to realize that this is a long process, and that there are no shortcuts.⁷

Venezuelan border conflicts with both Colombia and Guyana receded in importance during the Caldera government's concluding months. The mishandling of negotiations with Colombia in 1980 and 1981 was followed by a hiatus in serious discussions. With Guyana, Venezuelan activism also declined toward the close of the administration, although remaining a source of irritation. In 1981, Venezuela reopened the dispute over the 130,000 square miles of territory west of the Essequibo. Rather discourteous personal exchanges between Herrera and Guyanese Prime Minister Forbes Burnham contributed to the eventual breakdown of discussions. With the June 18, 1982, expiration of the 1970 Protocol of Port of Spain—which had frozen the conflict for a dozen years—additional efforts to determine an acceptable means of peaceful settlement were unavailing.

The issue was transmitted in September, 1982, to the United Nations Secretary General. Both disputants were divided over the further mechanics of diplomacy, as well as the substance of the issues. In early 1983, Javier Pérez de Cuellar noted that he was in contact with both parties. By this time, the earlier public animosity had subsided. Yet the issue remains a potentially disruptive one for any Venezuelan government. Venezuela has also resisted Guyanese plans to gain international support for the financing of a dam/developmental project on the Mazaruni River. This has led Guyana to oppose Venezuelan membership in the nonaligned organization. Thus the ramifications of the controversy are unresolved—the simmering potential for serious conflict cannot be discounted.

The ideological content of herrerista foreign policy, designed to encourage Christian Democracy in the region, gradually receded as party movements seemingly founded first in revolutionary Nicaragua, later in Guatemala, and most strikingly with the ouster of José Napoleón Duarte from the Salvadoran junta after elections which Venezuela had ardently championed. The

replacement of Costa Rica's President Rodrigo Carazo by the Social Democrat Luis Monge was also a discouragement. Added to this was the internal divisiveness and disarray which had long marked financial and economic policy. In November, 1983, following the Foreign Ministry's condemnation of United States actions in Grenada, the minister of defense publicly praised the invasion as removing a potential threat to Venezuelan security. Foreign Minister Luis José Zambrano Velasco was then undercut by Herrera as well; there was official talk of participation in a new security force for Grenada, despite disavowals by press spokesman.

In the final analysis, Venezuela has experienced a relative decline in foreign policy activism. This has reflected the worsening of domestic conditions, the recasting of priorities, and Luis Herrera's own insouciance in exercising executive leadership and authority. His successor will face the responsibility for reversing the trends of recent years.

THE ELECTION AND PROSPECTS FOR RECOVERY

The campaign itself never stimulated the civic exuberance or optimism that marked previous races. Confident of an easy victory, Jaime Lusinchi conducted a campaign that focused on the failings of the Herrera administration while vaguely promising an improvement. Former President Caldera, saddled with the record of the government and harassed by the unhidden hostility of Luis Herrera, fought to establish his independence from the *copeyanos* in office. The media advice of North American consultants did little to elevate the tone of the competition, nor to enlighten the electorate. In retrospect, there is little evidence that the expensive advice affected the outcome. Moreover, neither COPEI nor Acción Democrática mounted the effective or well-managed efforts demonstrated in earlier competitions.

The outcome was largely consistent with pre-election expectations. Unofficial returns showed that some 90 percent of the 7.7 million registered voters cast their ballots. Lusinchi won with the largest margin in the past six elections, virtually half the vote. Rafael Caldera trailed by some 20 percent. The two leftist candidates polled only 10 percent of the vote, and Venezuela's two-party domination remained intact. In retrospect, the magnitude of anti-Herrera sentiment sealed Caldera's fate, despite his role as a founder of modern Venezuelan democracy.

In sheer political terms, the immediate prospects are mixed. Both major parties are internally divided, while

(Continued on page 89)

*Appointed by United States President Ronald Reagan and chaired by former Secretary of State Henry Kissinger.

⁷Leopoldo Castillo, as quoted in "Cheer and Dissent in Contadora," *Latin America Regional Reports*, October 28, 1983, p. 4.

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"Today Peru's fragile democracy, restored with great enthusiasm in 1980, is caught in a deadly cross fire between the Shining Path and the Palace of Pizarro, where President Belaúnde's tenure has become very insecure."

Peru: The Shadow of the Shining Path

BY DAVID P. WERLICH

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PERU inaugurated 68-year-old President Fernando Belaúnde Terry in an atmosphere of guarded optimism on July 28, 1980. A former President (1963–1968), Belaúnde was returned to power with an impressive 45 percent of the vote in a 15-candidate contest. The legitimacy of the new administration was bolstered by the fact that Peru's illiterates, about one-fourth of the population, were permitted to vote for the first time in modern history.

Furthermore, a dozen small Marxist parties, representing almost the entire Peruvian left, participated in the election and won a score of seats in the legislature. They appeared willing to focus their opposition peacefully in Congress, where the President's centrist Popular Action (AP) party, in coalition with the conservative Popular Christian party (PPC), had a solid majority. The nation's long-ailing economy showed signs of recuperation, and the morale of Peru's 18 million citizens was buoyed by the restoration of constitutional rule after 12 years of military dictatorship.¹

As Belaúnde entered the fourth year of his five-year term in mid-1983, however, the prognosis for continued democratic government was gloomy. The economy was nearly prostrate. The regime, which had touted its respect for democracy and human rights, was embarrassed by frequent charges of political high-handedness and oppression. The nation's security forces, meanwhile, were deadlocked in an increasingly ugly war with a mysterious revolutionary group called the "Shining Path" (Sendero Luminoso). Belaúnde's popularity had plummeted to less than 20 percent in the polls, and rumors of coups abounded.

The economy that Belaúnde inherited from the regime of General Francisco Morales Bermúdez in 1980 was emerging from the worst recession since the 1930's. A severe austerity program had eased the crisis in Peru's external finances, and the economy was growing again. But service on the \$9.4-billion foreign debt still required more than half of Peru's export earnings; inflation was

racing at an annual rate of 61 percent; and less than half of the labor force was fully employed. Real wages were one-third lower than in 1973. This translated into widespread malnutrition, dramatic increases in poverty-related diseases and a sharp rise in the rate of infant mortality.

In his election campaign, Belaúnde had pledged to restore democracy to Peru. However, most of the nation's long-suffering masses probably placed greater hopes in his promise to improve material conditions. Belaúnde, a free-spending populist in his first administration, promised massive public works and development projects to help create a million new jobs, while greatly increasing expenditures for education, health and other social programs. To fulfill these ambitious promises Belaúnde selected Manuel Ulloa, a respected international businessman, as economy minister and Premier (president of the Council of Ministers). Ulloa was assisted by a team of bright young economists, many with degrees from prestigious North American universities. Dubbed the "Dynamo," these men were determined to "open" the economy—to place greater emphasis on private enterprise and free market forces. This strategy had recently produced a highly acclaimed "economic miracle" in Chile.

Ulloa's program entailed a reversal of the statist policies of the previous 12 years, especially with regard to manufactures.² Previous regimes had encouraged manufacturing with high protective tariffs and subsidies to producers of non-traditional exports. Thus favored, many firms had prospered even though they produced shoddy and expensive goods. Ulloa's plan involved sharp cuts in the tariff and the gradual elimination of export subsidies. While this would ruin many companies, investment and labor would be diverted to more efficient enterprises. The new strategy reemphasized traditional exports—mineral, agricultural and fish products—along with other items in which Peru enjoyed an advantage in the international marketplace. Ending export subsidies would ease the strain on the budget, and tariff reduction would encourage imports. Imports in turn would fight inflation by providing consumers with better values and encouraging competition.

Other elements of the program also sought to adjust the economy to the realities of the free market. Price

¹David P. Werlich, "Encore for Belaúnde in Peru," *Current History*, February, 1981, pp. 66–69, 85–86.

²For an excellent collection of essays on the 1968–1980 military dictatorship see Cynthia McClintock and Abraham F. Lowenthal, eds., *The Peruvian Experiment Reconsidered* (Princeton: Princeton University Press, 1983).

controls and costly subsidies for basic foods were to be phased out. Initially, these steps would bring higher costs to the public; but increased earnings for farmers along with government assistance to agriculture would stimulate food production, ultimately checking inflation. The prices of gasoline and other public-sector goods and services also were to be kept in line with costs. Increases in domestic interest rates would encourage saving and more thoughtful investment. Finally, the government was to end its monopoly in "basic industries" and welcome private investment in almost all sectors of the economy. Peru's 170 state-owned companies would become autonomous public corporations. The government would retain some key enterprises (in oil, mining, utilities), but would sell the others to private capitalists, including foreign investors.

Notwithstanding its theoretical elegance, the success of the open economy program depended upon factors beyond the control of the policymakers—the vagaries of nature and the international market. Further, the transition to the new system was fraught with political problems. The legions of workers employed in the bloated public sector and other beneficiaries of the old programs generally opposed Ulloa's strategy. And for most Peruvians, the benefits of the plan would appear only after the pains of readjustment.

The administration quickly instituted its free market policies. Belaúnde decreed much of the program after the AP-controlled Congress, over the loud protests of the opposition, granted the President broad legislative power. But the law of supply and demand did not bring an economic miracle. Instead, the economy seemed cursed by Murphy's law: almost everything that could go wrong did go wrong. After a respectable increase in 1981, Peru's gross domestic product (GDP) stagnated in 1982, and fell by perhaps 5 percent or more in 1983, when the nation was in the grip of its worst economic crisis in this century.

The favorable markets for Peru's exports, which had pulled the country out of recession in 1979, disappeared in the second half of 1981, as the world's developed economies slumped. Demand and prices for Peruvian products dropped sharply. The weather at first cooperated with the new regime. A three-year drought in the north eased somewhat in 1981. But the following year, a long drought began in the southern part of the country. In 1983, the warm Niño Current from the equator invaded Peru's cold coastal waters, wreaking havoc. The output of the important fishing industry was halved, and torrential rains ravished the normally arid north coast. Cloudbursts melted adobe houses. Floods destroyed crops, washed

away irrigation systems and roads, and severely damaged both the local oil industry and the Transandean Pipeline, which carries petroleum (Peru's major export) from the Amazon Basin to the Pacific. An estimated 1,000 people were killed, and the economy suffered a \$1-billion loss. Meanwhile, terrorist activity caused considerable property damage and a 50 percent decline in the tourist industry.

Liberalized trade policies brought a surge of imports. But Peru's terms of trade—the purchasing power of its principal exports in relation to the cost of major imports—declined 14 percent in 1981, and plunged an unprecedented 25 percent the next year, producing large imbalances in the nation's international accounts. As predicted, import competition and reduced subsidies for exports brought increased unemployment and a rash of bankruptcies among domestic manufacturers. Although generous incentives lured several foreign companies into the search for oil, Belaúnde had few other successes in his efforts to "privatize" the economy. Businessmen lacked investment capital and showed scant interest in buying state-owned enterprises, especially the white elephants that the regime was most anxious to sell. The most visible result of liberalized banking laws was a flurry of bank failures.

The regime's hopes of reducing inflation were also shattered. Led by soaring food and fuel prices, the cost of living increased by more than 70 percent in 1981 and 1982, and was galloping at an annual rate of 150 percent by late 1983. The easing of price controls did not bring appreciable incentives to farmers, and disastrous weather destroyed their harvests. The government's plan to increase agricultural credits evaporated along with the treasury's dwindling resources.

Since 1981, Belaúnde's budgets have registered deficits in excess of 8 percent of Peru's GDP. Tax collections shrank along with the economy, and income from public-sector exports declined. The newly autonomous public corporations showed large losses. Belaúnde sharply cut government subsidies and drastically reduced spending for education and health, but he continued to invest in costly irrigation and highway projects that could only be amortized slowly. Increasingly beholden to the armed forces, the President also allowed Peru's military to go on a \$4-billion shopping spree for Mirage jets and other sophisticated weapons.

To finance trade and budget deficits, the administration initially tapped domestic credit markets, severely squeezing Peru's already capital-starved businessmen. In 1982 and 1983, Peru turned again to foreign bankers. With the approval of the International Monetary Fund, the regime has been able to obtain new money to cover current shortfalls, and much of the existing external debt (now over \$12 billion) has been "rolled over," postponing repayment until Belaúnde's term expires in 1985.³

As Peru's economic crisis mounted, so did Belaúnde's political problems. The President hoped to build a broad

³For more detailed information on the economy, see "Peru," *Bank of London & South America Review*, vol. 17 (August, 1983), pp. 82–86; "Peruvian Sol," *International Currency Review*, vol. 15 (September, 1983), pp. 78–84; and United States Department of Commerce, International Trade Administration, *Foreign Economic Trends and their Implications for the United States: Peru* (Washington, D.C.: U.S. Government Printing Office); this is a series published in January and October of each year.

consensus for his economic program and established an advisory commission with representatives from business, labor and the government. But the soaring cost of living, the reduction of subsidies, and other unpopular policies resulted in a wave of strikes and mass demonstrations. Armed with new labor legislation, the regime increasingly responded by banning these activities and arresting their leaders. The nation's mass media, returned to private hands in one of Belaúnde's first official acts, attacked the regime from both right and left and complained of growing restraints on press freedom.

Political adversity has produced tension within Belaúnde's Popular Action party and between AP and its PPC allies. Meanwhile, the opposition has become more unified. Soon after the 1980 election, most of the Marxist parties formed the Leftist Unity (UI) coalition. The center-left American Popular Revolutionary Alliance (APRA), the largest opposition party, was split badly. In October, 1982, however, APRA's aged and feuding leadership stepped aside, and 35-year-old Alán García became secretary general. He has brought new vigor and harmony to the party. APRA and UI have often joined hands to oppose Belaúnde's programs and, increasingly, to condemn the regime's abuse of civil liberties and human rights.⁴

Belaúnde, a man of sincere democratic convictions, has been bedeviled by terrorism, a problem unforeseen at the time of his election. As four million Peruvians went to the polls on May 18, 1980, Sendero Luminoso (Shining Path, SL) launched its "people's war" to seize power. Concentrated in the southern highland Department of Ayacucho, supporters of the Shining Path demonstrated their scorn for the electoral process by casting blank ballots. On inauguration day, two months later, dynamite blasts caused minor damage to several public buildings. Since that time, the attacks of Shining Path—estimated to number between 500 and 2,000 guerrilla fighters—have escalated rapidly.

Ayacucho is among the more isolated and impoverished of Peru's 24 departments. In this overwhelmingly rural region, almost 90 percent of the half-million citizens still speak the Quechua language of the ancient Inca Empire. The illiteracy rate for Ayacuchans is nearly 80 percent, the highest in Peru and triple the national average. The austere mountain environment provides an annual per capita income of \$60, less than one-tenth of that for the country as whole. During the last two decades, government expenditures per citizen in Ayacucho were less than one-third of the national average. For more than four centuries, in fact, officials in Lima largely

ignored the region except during the periods of rebellion for which it is famous. Several of the rebellions were messianic in nature, the peasants believing that a new Inca emperor, assisted by the old Andean gods, would lead them to victory in a war against their Spanish-speaking oppressors.⁵

In 1965, the Castroite, National Liberation Army began a guerrilla war in Ayacucho. Consisting largely of middle-class students from Lima, this group won few adherents among the suspicious peasants and was crushed by the Peruvian armed forces. But discontent born of poverty, oppression and neglect remained, and traditions of rebellion and messianism were deeply rooted in the region's folklore. Thus, Ayacucho provided fertile ground for the fanatical Sendero Luminoso revolutionary sect and its messianic leader, Abimael Guzmán Reinoso.

Guzmán left his native Arequipa (Peru's second largest city) in 1961, to teach philosophy at the University of Huamanga. A convinced Marxist, the 31-year-old professor soon attracted a devoted cadre of disciples among the students and faculty of the university and a nearby teacher training institute. Other adherents included the workers of the department capital. From their base in the city, Guzmán and his enthusiastic young supporters began proselytizing in the surrounding rural areas, where many of them had been born.

Guzmán's movement evolved during a period of profound crisis for the Peruvian left. The Sino-Soviet split, the rise of Cuban President Fidel Castro, the radical rule of Peru's General Juan Velasco Alvarado (1968–1975), and the internal struggles of Chinese communism spawned deep ideological divisions within the Peruvian Communist party. By the mid-1970's, doctrinal debates, partisan competition and personal ambition had fragmented Peru's Marxists into a score of small groups, often identified by the title of their newspapers. While each of these parties insisted that it alone was following the proper road to revolution, all pledged homage to José Carlos Mariátegui (1894–1930), the patron saint of Peruvian radicalism. Mariátegui died before he could develop his ideas fully. But unlike the Russian Communists, for whom urban workers were the revolutionary vanguard, Mariátegui believed that largely rural Peru could achieve a revolution from the countryside to the city—the "Yenan Way" that later obtained in Chairman Mao Zedong's China. Peruvian socialism, furthermore, would be a unique blend of Western technology and the ancient communal traditions of the Andean cultures.

A Maoist faction that included Guzmán broke away from the Moscow-oriented Communist party (CP) in 1964, denouncing the CP's new doctrine of "peaceful transition to socialism." The renegade "Red Flag" group asserted that only a prolonged "people's war" could bring victory. The next year a feud erupted between the Red Flag leadership in Lima and Guzmán's José Carlos Mariátegui Committee in Ayacucho. The national organization formally expelled Guzmán in 1970, accusing the

⁴For an analysis of recent politics, see James M. Malloy, "Peru's Troubled Return to Democratic Government," *Universities Field Staff International Reports*, South America Series, no. 15 (February, 1982).

⁵An outstanding study of Ayacucho's early history and its legacy for today is Steve J. Stern, *Peru's Indian Peoples and the Challenge of Spanish Conquest: Huamanga to 1640* (Madison: University of Wisconsin Press, 1982).

professor of several heresies, including "occultism." The latter charge apparently referred to Guzmán's use of local customs and messianic traditions to build support among the peasantry. Guzmán, in turn, branded the Lima Maoists as insincere in their call for armed struggle and declared that they were advocates of "privilege for the cities, scorn for the countryside." His supporters in Ayacucho occasionally distributed a bulletin entitled *Down the Shining Path of José Carlos Mariátegui*, and the group adopted the label "Peruvian Communist party—Shining Path."

THE SHINING PATH'S STRATEGY

In a pamphlet published in 1971, Guzmán outlined his plans. After nine years of preparation, "limited armed struggle" would begin in 1980, with "diversionary tactics" to obtain arms and publicity. Two years later, Shining Path would undertake guerrilla war in the rural areas and increased sabotage in the cities. In 1984, the first "columns" of the "people's army" would launch the true "people's war." Guzmán gave up his teaching post in the mid-1970's and withdrew to rural Ayacucho, where he organized his followers into cells of three persons each with military rank. Regional "special affairs committees" coordinated the activities of the cells, and under the nom de guerre "Comrade Gonzalo," Guzmán controlled the entire organization.

Guzmán's ideology—sometimes espoused in traditional Andean fashion through notes attached to hanged, dead dogs—is radical and extremely sectarian. He admires Mariátegui and, especially, Mao and the Chinese "Gang of Four." Guzmán denounces the current Chinese leadership. All of Peru's other Marxists are "objective allies of reaction," and those who sit in Congress are "parliamentary cretins." "Comrade Gonzalo" has increasingly been groomed as a cult figure "who has synthesized in his thoughts thousands of years of struggle by the poor and exploited." Because of SL's geographical isolation and extreme sectarianism, it is unlikely that the group receives substantial assistance from foreign sources. The government, however, asserts that SL has international links and, more plausibly, that it is aided by Peru's numerous cocaine traffickers, who appreciate Sendero's diversion of police resources away from themselves.

Peru's other Marxist leaders describe SL as an understandable but misguided response of the people to capitalist oppression and the policies of the Belaúnde regime. However, they bitterly attack the movement's "messianic fanaticism" and Guzmán's "redemptionist pretensions." The left-wing press, like all the nation's media, almost invariably refers to SL as the "terrorists," and compares Guzmán to Iran's Ayatollah Ruhollah Khomeini and, most often, to Pol Pot, Cambodia's city-hating, genocidal leader. All of Peru's major labor unions and peasant federations are controlled by enemies of SL, but the leaders of the Marxist organizations fear that Guzmán

may successfully woo their followers. As Peru's economy deteriorates and the Belaúnde regime becomes more repressive, more and more citizens may be attracted by the daring exploits of SL bands (often led by young women) and a messiah who practices what he preaches—revolution.

The early operations of SL—raids on mining camps to steal dynamite and minor acts of sabotage, primarily in Ayacucho—caused little concern in Lima. Some leftists attributed the bombings to right-wing groups or elements of the security forces who wanted to provoke the suppression of Belaúnde's peaceful critics. Sendero Luminoso often does not claim credit for individual incidents, and other groups or free-lance terrorists may have been responsible for some of these attacks. The administration discounted the guerrilla threat and rejected early calls to use the army against SL. Belaúnde feared that the struggle might degenerate into a "dirty war," like the war in Argentina during the 1970's, when thousands of innocent victims "disappeared." The regime insisted that the insurgency could be eliminated by the Civil Guard, Peru's uniformed national police. A battalion of "Sinchis" (Civil Guard counterinsurgency specialists) were dispatched to Ayacucho.

It soon became apparent, however, that the Civil Guard was losing the battle. SL bands in Ayacucho easily overpowered small, isolated police stations, so the Civil Guard withdrew its regular personnel to larger barracks in the seven provincial capitals of the department. Patrols of Sinchis searched the rugged mountains for their elusive enemies, while SL proclaimed hundreds of "liberated zones." In these areas and in towns briefly captured by the guerrillas, SL staged "people's trials," and punished corrupt petty officials, unpopular merchants and lecherous schoolmasters. Booty taken in raids and forced contributions ("revolutionary collaborations") extorted from businessmen were sometimes shared, Robin-Hood-like, with the peasants. Whether motivated by fear or admiration, Ayacuchans increasingly provided SL with food, shelter and recruits. In Ayacucho, Lima and points in between, the bombing of government buildings, bridges, electric pylons and other public property became more frequent.

The Belaúnde administration had catalogued 310 "acts of terrorism" by March, 1981, when the President decreed a sweeping and vague Anti-Terrorist Law (Decree-Law 46). It provided stiff penalties for persons broadly defined as "terrorists," and for individuals and groups who "accept," "count on," "incite" or publish "apologias" for terrorism. Police may detain suspected violators for 15 days without interference from the courts. The law produced a storm of protest from opposition parties and civil libertarians, but did little to stop SL.

In October, 1981, following a rash of SL attacks, Belaúnde proclaimed a three-month state of emergency in Ayacucho. This measure imposed a curfew and suspended constitutional guarantees against arbitrary

arrest, search and seizure. Some 1,400 Sinchis made a "sweep" of the department capital and other areas, arresting hundreds of people. The suspects, most of whom were released without trial, complained of police torture. The government only acknowledged using "sensory deprivation techniques" during interrogation.

Sendero Luminoso, as "Comrade Gonzalo" had predicted, intensified its "people's war" during 1982. A series of spectacular assaults began in March, when at least 50 guerrillas raided Ayacucho city and freed 247 prisoners. This was followed by several attacks on major police barracks. On August 12, guerrillas simultaneously dynamited four electric pylons, darkening all of Lima.

In the ensuing chaos, some 50 public buildings were bombed, many stores were sacked and 100 youths escaped from a detention center. Belaúnde imposed a two-month state of emergency in Lima, and police quickly arrested 250 suspected terrorists.

Less dramatic but more vicious outrages occurred on an almost daily basis. In Lima, several crowded theaters were bombed, and a spate of politically motivated bank robberies invariably resulted in the murder of police guards. Senderists seized schools, where they harangued students while holding their teachers at gunpoint. SL's objective was to discredit the government and provoke a draconian overreaction; unfortunately, it achieved considerable success. Hundreds of people were rounded up as suspected terrorists.

In the final months of 1982, the Shining Path began a campaign of assassination in Ayacucho and neighboring departments. The targets included the mayor and deputy mayor of Ayacucho. However, most of the victims were more humble citizens—local leaders of political parties, labor unions and peasant organizations—many of whom were anti-Sendero Marxists. In the "liberated zones" of the countryside, "people's trials" resulted in the barbaric public execution of "squealers." Poor but dignified *varayoc* (Indian community leaders) were whipped and paraded naked through their villages. Frightened local officials resigned en masse, and teachers, parish priests and persons whose names appeared on SL death lists fled the region. With the onset of the planting season in December, SL ordered peasants to sow only enough seed to feed themselves, and to withhold food from the cities.

In the face of mounting criticism, the Cabinet of Manuel Ulloa resigned in late December, 1982. First Vice President Fernando Schwalb, the mild-mannered lawyer who served as Belaúnde's ambassador in Washington, became the new Premier and minister of foreign relations. International banker Carlos Rodríguez Pastor assumed Ulloa's duties at the Economy Ministry. Schwalb and Rodríguez Pastor indicated that they would continue the regime's economic policies. At the same time, the government took the fateful

step that it had long resisted in the war against the Shining Path. On December 29, Belaúnde proclaimed a new state of emergency in Ayacucho and in one province in each of the adjoining departments of Apurímac and Huancavelica. About 1,500 soldiers and marines, supported by six helicopters, were sent to the region, and General Clemente Noel y Moral assumed full political authority in the militarized zone. The struggle in Ayacucho then became much more savage. During the first two months of 1983, 243 guerrillas, 56 civilians and 5 security personnel were killed. By June, 1983, the death toll for the year had reached 1,000 and many times that number had been arrested.

While the conflict intensified, reliable information from Ayacucho became scarce. Journalists were reluctant to enter the remote and dangerous combat zones, and the military authorities discouraged them from doing so. The government issued "body counts" but produced few bodies, dead or alive. Fleeing the rural areas in large numbers, peasants reported widespread abuse and even the massacre of entire villages by either the security forces or the Senderists. The government asserted that guerrillas, dressed in captured police uniforms, committed these acts; Sendero Luminoso charged that Sinchis, dressed like rebels, were responsible.

Reports also indicated that many peasant communities that had hoped to avoid involvement in the struggle were being forced to choose sides. In some districts the war had become entangled with ancient feuds between neighboring villages. To investigate these rumors and a specific report that peasants had killed a band of guerrillas, eight journalists (primarily affiliated with the left-wing Lima media) trekked into an isolated district of Ayacucho on January 26, 1983. At the village of Uchuraccay, they were slaughtered by peasants who claimed to have mistaken them for Senderists.

Responding to charges of official negligence or complicity, Belaúnde appointed a commission to investigate the massacre. The commission was headed by Mario Vargas Llosa, Peru's foremost novelist and a supporter of the President. Its report was a riveting piece of literature, but it raised as many questions as it answered. It amply demonstrated, however, that Ayacucho's peasants were being thoroughly terrorized by both the guerrillas and the security forces; that the military authorities had encouraged them to make war on SL (the people of Uchuraccay had been told that friends come by helicopter, enemies on foot); and that the collapse of national authority had forced the peasants to revert to vigilantism.⁶

While the government concentrated its forces in

(Continued on page 90)

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⁶Mario Vargas Llosa, "Inquest in the Andes," *The New York Times Magazine*, July 31, 1983, is a revised version of this report, illustrated with photographs.

BOOK REVIEWS

ON LATIN AMERICA

By Mary M. Anderberg

Consulting Editor, *Current History*

PERÓN: A BIOGRAPHY. By Joseph A. Page. (New York: Random House, 1983. 594 pages, photographs, bibliography, notes and index, \$24.00.)

Joseph Page's biography of Juan Perón is a remarkable work of scholarship, keen analysis and brilliant writing. It is the first full-length biography of one of the twentieth century's most charismatic and fascinating leaders, one whose career was punctuated with many feats of political legerdemain and amazing strokes of luck and was marred by carelessness and violence.

Page's study has the tension and thrust of a novel of intrigue and suspense. Yet it is admirable in its thoroughness and deep insight into Peronism and Argentina's fractionalized society. It also presents a penetrating analysis of the United States rigid, misguided policy toward Argentina in the 1940's and 1950's.

North Americans have often regarded Perón as a Latin American imitation of Hitler or Mussolini. While Peronism contained elements of fascism, Perón did not demobilize the working class as Mussolini did, but instead politicized it; nor did Perón create a fascist corporate state. Furthermore, despite the violence sometimes inspired by Perón's rhetoric, Perón did not use violence as a policy. And having seen the devastation caused by the Spanish Civil War, he accepted exile to avoid subjecting Argentina to civil strife.

Page places Perón in the category of an authoritarian populist whose attitudes were distinctly Argentinian. Argentina's economic, social and political climate was receptive to Perón's leadership in the 1940's. There was deep dissatisfaction with "the ruling elite's use of fraud and force, and its commitment to policies that kept the economy under foreign domination," benefiting only a narrow few—the wealthy ranchers. Interest groups outside the government were divided and unable to organize an effective opposition.

Perón's rise to power was meteoric. Following the 1943 military coup he was made head of the National Labor Department. Within months he transformed his minor post into the Secretariat of Labor and Social Welfare, which became the vehicle for establishing Perón as the champion of the oppressed workers, his *descamisados* (shirtless ones). By 1944 Perón was Vice President and minister of war.

In the 1946 presidential elections, Perón campaigned for a "socially just, economically free, politically independent Argentina." Perón won the pres-

idency by an overwhelming margin in a fair election. In his drive for power, Perón demonstrated a boldness of vision, a skill for uniting diverse groups and an enormous capacity for hard work.

Governing Argentina required all these qualities. Compromise was foreign to the nature of Argentinian politics. Obstructionism was the mode of political behavior. Perón acted decisively and quickly acquired virtually limitless power, but in striving for the organization and unity he desired he resorted to censorship and other acts of repression.

Despite Argentina's internal problems and its troubled international relations, it enjoyed a period of prosperity during the early years of Perón's presidency. Yet by 1950 the economy was on the downgrade. According to Page, 1950 marked the pinnacle of Perón's success.

Evita Perón, who died in 1952, helped cement the bond between labor and Perón and worked diligently to keep it intact. She drew masses of women into the Peronist movement and the work of the Eva Perón Foundation brought social welfare to the interior of Argentina for the first time.

Evita also constantly preached adulation for Perón; at the same time, her vindictiveness was notorious and she brought down some of the most able men in Perón's government. Her demands for blind obedience to Perón stifled criticism and drove capable men away from Perón. One of the more unattractive aspects of Juan Perón's character was the shameless—often ruthless—manner in which he disposed of helpful politicians when he suspected they might become rivals.

Perón was just beginning his second term as President when Evita died. His position seemed to be secure but his ill-considered actions in the next two years provided ammunition for the opposition, and his fall from power was swift. His personal life caused scandal and certain political deeds and speeches gave rise to mob violence and acts of arson and terror.

Perón's most colossal blunder was his confrontation with the Catholic Church. In a speech in November, 1954, he attacked the clergy for engaging in conspiracies against his regime. In part, he was responding to criticism by the clergy of proposed Peronist legislation to legalize divorce and prostitution.

Page believes that Perón could easily have avoided the clash with the clergy and he could have ended it quickly. The Church was cautious and restrained. But by word and deed Perón mindlessly added fat to the fire until the quarrel became a war and an invitation for

(Continued on page 90)

THE UNITED STATES AND LATIN AMERICA

(Continued from page 53)

dangers of sending the United States military into any foreign conflict without public support.

Throughout the summer, the administration's policies continued to chart a somewhat erratic course in response to perceived domestic and international pressures. Major fleet units, including two carrier battle groups, were dispatched to Central American waters in a show of force, and rumors of a possible blockade of Nicaragua were widely circulated. But shortly thereafter, the President announced the formation of a special National Bipartisan Commission for Central America to be chaired by former Secretary of State Henry Kissinger. With help from the Presidents of Costa Rica and Colombia, initial contacts were arranged between United States Special Ambassador Stone and representatives of the Salvadoran left. There were also efforts at contact between Assistant Secretary of State for Inter-American Affairs Langhorne Motley and the government of Nicaragua. But at the same time, the administration continued to build up military strength in Honduras and the contras continued to escalate their attacks on Nicaragua, using air as well as ground assaults.

The focus on events along the Honduran-Nicaraguan border was temporarily diverted in early August by a military coup in Guatemala. There the Defense Minister, General Oscar Humberto Mejía Victores, overthrew the increasingly erratic government of General Efraín Ríos Montt. There were widespread rumors of United States involvement in the coup; General Mejía had met with United States military officials only the previous day and the new regime promptly endorsed United States policy in the region and indicated its support of a revival of the moribund Central American Defense Council (CONDECA), a move clearly directed against Nicaragua. These rumors were strongly denied by Washington, and most available evidence indicates that the coup was caused by internal Guatemalan political pressures. In any case, it seems unlikely that the Reagan administration would favor a coup by an individual whose prior claim to fame was a heated personal dispute with Congressman Clarence Long (D., Md.) whose subcommittee controlled appropriations for foreign assistance. In the wake of the coup, guerrilla activity increased in Guatemala, raising fears that the ultimate result might be a further spread of violence in Central America.

By September, the United States was once again focus-

¹⁵The Iklé speech received limited attention in the United States, but was given extensive coverage in Central America. The full English language text was published in *The El Salvador News-Gazette* (San Salvador), September 19–25, 1983, pp. 1 and 10–11.

¹⁶These charges were made on the CBS Evening News, November 22, 1983.

ing on Honduras and Nicaragua. On September 12, Under Secretary of Defense Fred Iklé delivered an on-the-record speech in Baltimore that struck the hardest line to date in expounding administration policies and goals. He declared that "the blocking of votes in Congress has denied the President the means to succeed" and charged that the public was being deceived by "a great deal of misinformation" which was "the result of a well-organized and well-orchestrated [media] effort." Iklé rejected the idea of a military stalemate and defined the goal of United States policy as "victory for the forces of democracy," including "defeating militarily those organized forces of violence that refuse to accept the democratic will of the people." Nicaragua's leaders were charged with attempting to establish a "second Cuba" in Central America, a development which Iklé found "more dangerous than Castro's Cuba" since Nicaragua shared "hard-to-defend borders with Honduras and Costa Rica." The United States response was defined as providing "military assistance enough to prevent consolidation of a Sandinista regime in Nicaragua that would become an arsenal for insurgency, a safe haven for the export of violence." Failure to follow such a course, Iklé warned, could lead "to the partition of Central America," and force the United States to "man a new military front line right here on our continent."¹⁵

The Iklé speech, the military buildup in Honduras, and continued strong American support for the Nicaraguan contras all seemed to signal a growing administration determination not just to hold the line against what it perceived as spreading Communist influence in Central America, but to roll back the existing influence in Nicaragua. There were allegations of direct involvement by United States military and CIA personnel in attacks on Nicaraguan territory, including the destruction of major oil storage tanks on the Pacific coast.¹⁶

As the threat of regional war grew, the Contadora Group increased its efforts to negotiate. In September, the ministers of foreign affairs of the four Contadora nations and the five Central American countries met in Panama and developed a set of 20 basic objectives, including ending the arms trade, withdrawing foreign military personnel and ending support for efforts to destabilize neighboring nations. By early October, all five Central American governments had approved the document.

The high level of regional tensions became even more apparent during the Kissinger commission's October visit to Central America. While the commission had no concrete power, being charged only with making long-range recommendations for policy, Central American political, military and private sector leaders reacted to it as if it were the region's last great hope. The members were deluged with suggestions ranging from a mini-Marshall Plan for Central America to calls for an anti-Nicaraguan crusade to eliminate the Communist threat to the region. Honduras even suggested that the United States negotiate "a Special Bilateral Treaty of Mutual

Defense" that would be "similar to the United States agreement with South Korea." Such an agreement would provide greatly expanded military assistance and training in order to allow "the Honduran armed forces to have, at every moment, the capacity of air, land, and naval domination" vis-à-vis Nicaragua. It would also make possible "negotiations for the establishment of mixed air and naval bases." The Nicaraguan government, on the other hand, greeted the commission with bitter denunciations of United States policy.

Regional tension took another quantum leap upward in late October with the United States invasion of Grenada. Rumors quickly circulated that this was simply a dress rehearsal for a larger-scale operation in Nicaragua and that the success in Grenada would tempt the Reagan administration to intervene directly in Central America. These speculations were further fueled by United States support for the revival of CONDECA. The new CONDECA excluded Nicaragua; in fact, the leaders of Guatemala, El Salvador and Honduras portrayed Nicaragua as the leading threat to regional peace. Because the United States used the request for assistance from a subregional body, the Organization of Eastern Caribbean States, to justify its intervention in Grenada and because it ignored OAS Treaty commitments, the possibility was raised that CONDECA might be used for a similar purpose against Nicaragua. At first, Reagan administration officials downplayed this possibility, pointing out the wide discrepancies in the Grenadian and Nicaraguan situations, but by mid-November their statements were becoming more vague, and they refused to rule out any possible courses of action. Whether this was a psychological ploy, designed to pressure the Nicaraguans and their Cuban allies, or whether this represented a real willingness to consider military intervention in Central America, remained unclear; but many Central Americans took the possibility seriously. Amid spreading rumors of Nicaraguan government preparations for prolonged guerrilla warfare against foreign invaders and an exodus of Cubans from Nicaragua, at the close of 1983 the region appeared nearer than ever to a major regional war.

Such fears, of course, had arisen in the past and had ultimately proved ephemeral. The odds seemed to favor a similar outcome in this instance. Elements on both the left and the right had reasons for exaggerating the threat in order to mobilize support and pressure potential opponents. But it was clearly a sign of the deterioration of the United States position in Central America during 1983 that the year opened with a major policy debate over the United States arming of Central Americans and closed with the fear that the United States military would become directly involved in regional combat.

Constant tension hampered efforts to halt or reverse the precipitous decline in the region's economy or to promote the growth of democratic institutions. Political progress was paralyzed in El Salvador, and right-wing death squads were stepping up their activities. Violence

was spreading in Guatemala and the government remained under firm military control. In Honduras, there were fears that the civilian government of ailing President Roberto Suazo Cordova was being reduced to a front for an increasingly militarized system. In Nicaragua, the level of armed civil conflict increased dramatically, and there was a deepening gap between the government and the leadership of the Roman Catholic Church and a growing alienation of the private sector from the Sandinistas.

In 1983 Reagan administration policies had succeeded in halting the spread of radical revolutions in the Caribbean and Central America and had placed the Cubans and the Nicaraguans on the defensive. But the United States had made no discernible progress in dealing with the region's massive economic, social, and political problems that provided the impetus for revolutionary violence. The successful invasion of Grenada and the growing American preoccupation with Lebanon had diverted some attention away from Central America. This provided the Reagan administration with a brief respite in its constant battle with congressional and other critics; but the contest seemed certain to resume on an even more intense level in the near future. It is probable that 1984 will be another year of crises in United States-Latin American relations, crises which will have an even greater potential for mutual disaster in 1984. ■

EL SALVADOR

(Continued from page 58)

be able "to hide behind their high investiture." The day after the departure of the three American under secretaries, the bodies of nine peasant cooperativists turned up; they had been involved in a dispute with the ISTA manager of their cooperative. The manager belonged to ARENA. In mid-November in a leak to the press, the United States revealed that it would begin to move against Salvadoran exiles living in the United States who were suspected of financing death squads.

While responsibility for disrupting the domestic political process in El Salvador must be placed squarely on the disloyal right, failure to make much headway in the negotiating process has mixed causes. As a result, the initiatives of the Political Commission of the pact in this regard have been spasmodic. In late September, 1982, Magaña stated that he hoped to establish a multiparty commission to consider whether to open negotiations. At that time, the Democratic Revolutionary Front (FDR) leadership appeared favorable to the initiative, but it met with the resistance of the leadership of the Popular Liberation Forces (FPI). The rightists in the Salvadoran private sector did not waste any time in denouncing the initiative.

Several issues were joined when Magaña received a written five-point proposal signed by the eight principal leaders of the FDR-FMLN in the fall of 1982. According

to Hinton the right was trying to smear the word dialogue, having already removed the word negotiation from the Salvadoran political lexicon. At about this time, D'Aubuisson was intensifying his effort to displace General García from the defense ministry. The alignment of forces remained, at best, uncertain within the Constituent Assembly. The Reagan administration did not seem interested in the initiative. Magaña found it difficult to create his Peace Commission in these circumstances, and very little happened until the spring of 1983.

On April 27, 1983, President Reagan delivered a very tough speech on Central America and, the next day, named former Florida Democratic Senator Richard Stone as his special envoy to Central America. On May 2, Guillermo Ungo, the FDR president, told a Washington, D.C., press conference that while he had reservations about Stone, a former paid consultant to the Guatemalan military government, he would be willing to meet with him. In mid-May the administration told a restless Congress that it could live with a dialogue in El Salvador. On June 20, it was reported that President Reagan had authorized Stone to talk to the FDR-FMLN.

A first meeting between Stone and FDR representatives, scheduled for July 9, failed to materialize. Ungo and Rubén Zamora, a member of the political commission of the FDR-FMLN, decided against it at the last moment because of procedural complications. It was possible that the FDR-FMLN was still sorting out its options and trying to put its house in order following the April 6 assassination of Mélida Anaya Montes (*comandante Ana María*) and the April 12 suicide of Salvador Cayetano Carpio (*comandante Marcial*) in Managua, Nicaragua. Apparently, opposition to the dialogue had hardened within the FPL after the loss of its two principal figures. The FPL claimed responsibility for the subsequent May 25 assassination of United States Navy Lieutenant Commander Albert A. Schaufelberger. In addition, beginning in May, the FPL apparently discontinued the guerrilla practice of treating prisoners with kindness and began to execute them, provoking the wrath of Joaquín Villalobos, the top ERP commander.

Stone finally met with Zamora in Bogotá on July 31. From the first, the Salvadoran left made it very clear that it did not consider Stone a valid intermediary since he represented one of the parties to the conflict.¹⁰ The Salvadoran government, for its part, reiterated that it would not negotiate any power-sharing agreements. Stone's role may have been diminished because of the National Bipar-

tisan Commission on Central America. The Commission was sworn on August 10 and while Kissinger insisted that it would not involve itself in crisis management and negotiation it could not really avoid doing the latter.

Perhaps the most significant development on the "dialogue" came with the August 29 meeting between representatives of the government and the left in Bogotá. Francisco Quiñonez, president of the Peace Commission, and Monsignor Marco René Revelo Contreras met for five and a half hours with FDR-FMLN representatives Carlos Molina and Oscar Bonilla. Both sides continued to pursue the two-track approach following the meeting. The guerrillas staged a major attack on San Miguel and the government accused them of bad faith for staging the attack. Rubén Zamora responded that the FDR-FMLN wanted to negotiate from a position of strength. Quiñonez eased tensions, saying that the government had not decided against a second meeting. The initiative seemed to be drifting to the Salvadorans themselves, but the disloyal right had vowed to prevent a dialogue and had launched a major terrorist offensive.

A second meeting took place on September 29, also in Bogotá. The FDR-FMLN had asked for a meeting in San Salvador, but the government could not guarantee the security of the leftist delegation.¹¹ Neither side could really give much ground at this preliminary meeting. The government delegates argued that they could only talk about the left participating in elections. The FDR-FMLN delegates rejected entreaties about a cease-fire and vowed that the left would not participate in the next election, insisting that it was necessary to install a new government with FDR-FMLN participation.¹² The three-and-a-half hour meeting was, therefore, inconclusive, but despite Quiñonez's assertion that the talks had reached a crisis point and despite Monsignor Revelo's disappointment, the largest stumbling block for a negotiated settlement was not the substantive difference in the initial negotiating positions of the two sides.

The most formidable impediment to the continuation of the negotiations was the intransigent violence of the disloyal right, which had already qualified the attempt to negotiate as "treason." On October 8, President Magaña disingenuously asserted that he would have to incarcerate any leftist who showed up in San Salvador. Rebel leaders, for their part, denounced the Reagan administration's lack of sincerity in the negotiations and its attempt to resolve the conflict by means of a military victory over the guerrillas. Both sides seemed content to rest their cases for a while.

CONCLUSION

The Pact of Apaneca has yet to prove itself as an adequate instrument for a democratic political transition in El Salvador. The pact represented an important advance with regard to the formal aspects of the agenda of transition, producing a balance that has helped prevent a rightist takeover. This by no means guarantees satisfac-

¹⁰See the FDR-FMLN communiqué of June 5, 1983, in FDR, *El Salvador Informativo* (San José, Costa Rica), June 15, 1983, p. 2.

¹¹For the September 23 public proposal to the Peace Commission by the FDR-FMLN see *El Salvador Informativo*, September 30, 1983, pp. 1, 3, 7.

¹²See *The New York Times*, September 30, 1983, p. 4; also *El Salvador Informativo*, October 15, 1983, pp. 1, 2, 6-8 for the concrete proposals presented by the FDR-FMLN delegation to the Peace Commission at their second Bogotá meeting.

tory outcomes to the yet unresolved major issues of the Salvadoran transition.

The center-right coalition has held its own on questions on which the disloyal right painted itself into a corner and alienated everyone, including the military and the United States. But neither the military nor the United States have yet found the resolve to confront the disloyal right, neutralize its violent tactics, and restore the efficiency of the rule of law. Without this, the transition process cannot advance to a stage of negotiations and more ample electoral participation.

The basic problem is that without the votes of the left, which has no representation in the Constituent Assembly, it will be very difficult to put together a coalition that may be able to deliver substantive results. By the same token, and mindful of a possible reincorporation of the left, the disloyal right will spare no effort to prevent this, to insure that it has a constitution that it can live with, and to polarize the situation even more, so that it can present itself as the only realistic alternative to the guerrillas.

The Reagan administration has been very slow in recognizing the danger posed by the disloyal right in El Salvador. The administration is also to blame for directly and indirectly strengthening this element through a combination of mixed signals and a misfocused diagnosis of the Salvadoran process. But words alone will not do. The Reagan administration must try to find efficient conduits for American influence to confront and neutralize the disloyal right. ■

NICARAGUA AND HONDURAS

(Continued from page 62)

only the United States can end it. In that regard, several options appear possible.

First, the United States can continue to support the contras through Honduras, hoping to weaken the Sandinista government gradually. Second, an outright invasion designed to remove the Sandinistas and their Cuban allies from power could be sponsored by using the contras, CONDECA, or American troops. Such an option would be entirely consistent with the thrust of United States policy in the region. Finally, the United States could abandon its militaristic approach to Nicaragua and attempt to buy off the Sandinistas. Such an outcome would be likely only if the Salvadoran guerrillas were defeated by the Salvadoran army and/or if Ronald Reagan lost the United States presidency in 1984.

As 1984 begins, the first option appears most likely. For Nicaragua, then, there will be even greater centralization as the regime further consolidates to defend itself. Its relations with Cuba and the Eastern Bloc countries will be carefully strengthened. Honduras, on the other hand, will emerge as a new bastion of the American military in Central America. Permanent bases will be established like those the United States is gradually abandoning in

Panama. In 1984, both countries will find themselves in the ghoulish "garrison state" promised by Harold Lasswell some three decades ago. But unlike his scenario (which involved technological giants), the poor will be kicking the poor in Central America, with ever higher levels of technology and destructive power. ■

BRAZIL

(Continued from page 67)

serious candidate from the official party. A Lebanese-Brazilian and a highly ambitious federal Deputy, he has pursued the presidency almost from the beginning of the Figueiredo term. Although the President and his men have discouraged Maluf's candidacy, they have not been successful. Well financed and organized, his campaign machine is said to be the best in the country, putting Maluf in touch with the very constituency from which Andreazza seeks support: state and local delegates. The PDS convention will have 964 delegates, of whom state and local delegates will number 562; the rest will be 235 federal Deputies, 46 Senators, and 121 party directors. Maluf's drawback is that he will not have a strong power base at home. In the November, 1982, election, he single-handedly destroyed PDS-São Paulo by turning it into a personal fief, trying to assure that he would receive the largest number of votes possible. He failed to accomplish this and in the process left the party in shambles.

The opposition suffers from an acute shortage of viable leaders. Fragmented at best, it is a loose gathering of several parties. The largest party is PMDB, which includes an unknown number of Communist and Trotskyist supporters. Leonel Brizola's party, PDT, is strong only in Rio state. Brizola, although not formally declared, is a dubious candidate. His lackluster performance as governor of the second richest state in the country will be a handicap, however. Campaign rhetoric notwithstanding, Brizola's "sun-tanned socialism" has yet to produce any tangible benefits for the masses. He did create more jobs, not for the poor and unemployed, but for his technocrats, by reforming the state government into some 20 secretariats. His attempt to curb spending brought much opposition from his own party as well as from PMDB Deputies. One southern governor urged Brizola to declare that he would not run, thus removing any objection among the military and PDS politicians for a direct election. The same governor also claimed that all 23 governors told him that they favored a direct presidential election in 1985 as a way out of the current political and economic dilemma.

This leaves two PMDB governors of São Paulo and Minas Gerais as the more plausible contenders. Franco Montoro of São Paulo declared his candidacy in November. Tancredo Neves has not, but he is known for his good working relations with PDS political kingmakers in Minas Gerais and is therefore a possible candidate. Many military men, including Figueiredo and the army min-

ister, get along well with Neves. Neither Montoro nor Neves has so far demonstrated that he would make a difference for Brazil, however. Montoro's state has been in financial trouble. Heavily dependent on export markets for its industrial products, São Paulo's economic future is cloudy at best and is closely tied to the international economy, which is too slow in its recovery to pull São Paulo out of the current recession. Its dependency on the capitalist North is considerably greater than some of his advisers would like to admit. The plan to produce a book lauding Montoro's first 50 days in office was scrapped because there was little to show. In the meantime, riots by the hungry and strikes by the jobless in São Paulo continue.

Tancredo Neves is equally bedeviled by economic woes. In early August, the federal government suspended the best-funded public works project in Minas: the Ferrovia do Aço, a railroad project that would have carried 35 million tons of iron ore per year, once completed. A product of the Brazil of "miracle" years that has long since outlived the original vision, it has consumed US\$2.2 billion to date and is still far from completion. Neves, one-time Prime Minister during the Goulart parliamentary interregnum, is a political survivor and should not be dismissed lightly. If PDS is headed toward a lacerating nomination battle between Andreazza and Maluf and if Aureliano Chaves of Minas is effectively out of the race, Neves will run. Furthermore, the military moderates and hard-liners just might support him as a compromise candidate before they consider direct intervention. As an establishmentarian politician, Neves is a more proven loyal opponent than Montoro. Both men support the idea of a direct presidential election.

THE COMEBACK OF MILITARY DUROS

When Figueiredo took office, he began to push his *abertura* goals forcibly. This provoked hard-liners in the armed forces to oppose the return of the political exiles (*cassados* of the revolution) and to reorganize political parties. The bomb explosion in Rio Centro in May, 1981, was thus a turning point for the military hard-liners. Suspected of complicity, the hard-line officers were under discreet investigation. Golbery counseled Figueiredo to punish those responsible. When the new President refused, showing no stomach for a showdown, Golbery resigned in protest. Since then, he has been a nemesis of the regime.

Several incidents have provided the military duros with an opportunity to speak their minds. A Chamber of Deputies investigation committee on foreign debt brought a former army attaché in Paris, Geisel's former Minister of the Army Sylvio Frota, and a host of other officers out of retirement. They criticized the regime and in particular accused Delfim of receiving a bribe from a French businessman while the SEPLAN chief was ambassador to France during the Geisel administration. No concrete evidence was produced either when the

attaché filed the report in 1976 or when Frota testified before the congressional committee in November, 1983. What is significant, however, is that the ruling moderate wing of the military so dearly valued by Geisel has been shattered by Figueiredo as his *abertura* and his management of foreign debt divided the military. In 1983, at least two retired general were arrested and placed in the stockade for having spoken out against active officers and against the President. Both generals, now free, remain silent about their future actions.

It was anticipated that 1983 would be a difficult first year for Brazil's new democracy, and this expectation has been fulfilled. Now, one wonders whether this fragile democracy can weather world recession and foreign debt management. Brazil's course will take it into uncharted, precarious waters; and under such circumstances, mutiny can never be ruled out. Short of calming the maelstrom miraculously, the United States nevertheless would be well advised to provide a safe harbor (in particular through bilateral trade agreements), in a hemisphere haunted by Central American revolution, Libyan transport planes and piecemeal solutions to financial crises. ■

CHILE

(Continued from page 72)

cal party that would include most of the supporters of the old National party. This organization, which may be known as the Movement for National Unity, is aimed squarely at the newly formed Independent Democratic Union, which was set up by elements that have been close to the free market technocrats who have run economic policy during the last few years. It is also aimed at providing a strong political base for Jarpa in his attempts to convince Pinochet that he cannot rule autocratically until 1989 but must make some concessions. Should Pinochet dismiss Jarpa, he would then have to deal with a much more coherent and organized political right, tired of personal rule and Pinochet's idiosyncracies.

In the face of opposition from other elements in the protest movement, Jarpa's weaknesses, and Pinochet's unwillingness to give ground, in October, 1983, the Democratic Alliance called for an indefinite end to talks with the government. At the same time, it entered into talks with the MDP and other opposition groups in an effort to coordinate strategy for future national protests. It is fair to say that at the end of 1983, supporters of Jarpa and of the government were much more pessimistic than opposition elements, who are confident that the groundswell of opposition will inevitably lead the armed forces to remove Pinochet.

In the final analysis, the Chilean armed forces remain the key to Pinochet's fate. A highly professional institution, jealous of the importance of discipline and obedience to hierarchy, the Chilean military has not become politicized during these years of military rule.

Pinochet has skillfully made use of his triple role as President, commander in chief of the armed forces and supreme commander of the army to keep the military in check. He has done so by providing the armed forces with significant benefits, while at the same time he has not permitted the armed forces to govern the country. Political leaders across the political spectrum marvel at how hermetic the military continues to be and how little information there is about what military officers believe.

All indications show that the Chilean military is still extremely loyal to Pinochet and, more important, to the institutions and legal framework with which they identify. Furthermore, it seems clear that the military would have great difficulty conspiring to move against Pinochet. But it is also clear that Pinochet may have become the most important stumbling block to a resolution of Chile's severe economic and political crisis. Unless he yields, it is likely that societal pressure on the regime will increase, and military officers will begin to worry about the viability of their institutions over the long run unless they move against Pinochet.

Ironically, should Pinochet accept the arguments made by Jarpa and others and give in to a liberalization process, he may still be in considerable difficulty. Opposition forces are unlikely to accept him as President even if a democratic Congress is elected. A more open political process will also lead to much more dissent and political unrest, which could further undermine Pinochet's position as he becomes less and less able to shape the destiny of the country. ■

VENEZUELA

(Continued from page 77)

the left retains its characteristic cannibalism. Thus Acción Democrática, which conducted a less than united campaign in support of Lusinchi, finds stresses over the party leadership. Carlos Andrés Pérez is moving to seize control on behalf of his intended 1988 candidacy, but this also engenders sharp hostility. COPEI is far more seriously split, with the personal and partisan animosity between Caldera and Herrera assuring a struggle for ultimate control. On the left, competition among the several small parties is accompanied by the internal weakness of the Movimiento al Socialismo (MAS). The latter remains dominant, but it cannot seize full and effective rule over the Venezuelan left.

If the omnipresence of powerful political parties is accompanied by such internal differences over doctrinal and personal hegemony, the prospects for effective responses to the economy are not encouraging. Even granting a greater effectiveness in policymaking and im-

plementation, the choices and decisions are difficult. For the International Monetary Fund (IMF) and its consultants, key recommendations are unequivocal. First would be a basic unification of the exchange rate, presumably floating in the neighborhood of around Bs 9 to 1. This devaluation would lead to serious renegotiation of the public external debt.

Included in IMF thinking is at least a doubling of domestic fuel prices, which currently run at some \$12 per barrel. Public spending will have to be cut back, while price controls will not be applied, and protectionism will be drastically reduced. Along with these measures, the IMF has argued that the Venezuelan government cannot assume or guarantee the private external debt. Massive tax increases will be needed to cover the cost. Such measures, in the eyes of the IMF, will help to restore economic health. Little has been said of the resulting increase in inflation and unemployment, among other probable by-products of such a policy.

The Venezuelan political elites are generally unconvinced of the IMF approach. During the campaign, the official "Programa de Caldera" and the "Pacto Social de AD" showed a similarity of outlooks on many of these problems. In neither program was there a clear plan for restoring public confidence. There was merely talk about the need for a "flexible" price control system for essential goods and services. Both parties pledged short-term resuscitation of the economy following four years of stagnation. Here too, prescriptions have been stronger in rhetoric than in detailed policy proposals.

Jaime Lusinchi had stressed his *pacto social* as a means of negotiating a policy on wages and prices.⁸ Venezuelan executives, notably the industrialists who currently dominate Fedecámaras—the major business organization—have expressed their hopes for reflationary policies. These would presumably encourage textiles, construction, the food industry and capital goods. Industrialists cannot be expected to respond exuberantly to the interests of labor on wages and prices. Yet the national Confederación de Trabajadores de Venezuela (CTV), originally a creation of the AD, exercises powerful influence on Lusinchi.

The party's commitments and obligations to the CTV are powerful. Luis Raúl Matos Azócar, a young engineer with close ties to Lusinchi, will be a central actor in the elaboration of economic policy. How the government will move to implement the social pact, ameliorate contradictory grievances, and permit a reactivation of the economy in the face of international financial opposition remains to be determined. Venezuela's foreign reserves, its natural resources, and its development potential may make possible the adoption of policies inimical to IMF dictates. Certainly the political and social price of accepting the harsh IMF terms would be profound. At this juncture, it can no longer be assumed that democracy is stable in Venezuela. The crisis is real, and the outcome is uncertain. ■

⁸For an effort to differentiate the platforms, see José Antonio Gil Yepes, "El programa de Caldera y el Pacto Social de AD," *El Nacional* (Caracas), September 19, 1983, p. D-18. The official document is in Jaime Lusinchi, *Un pacto para la democracia social* (Caracas: n.p., 1983).

PERU

(Continued from page 82)

Ayacucho, Sendero Luminoso widened the conflict. Guerrilla bands appeared in the central highland Department of Pasco, bringing a flurry of resignations by local officials. A well-coordinated operation by SL in late May, 1983, simultaneously blacked out Lima and (for the first time) several major cities on the north coast. Many businesses, including a \$65-million chemical factory, were destroyed. Belaúnde proclaimed a nationwide state of emergency, and police arrested 15,000 persons during the next month.

In Ayacucho city, military authorities have harassed and jailed journalists, preventing them from verifying continued reports of widespread carnage among the peasantry. Since May, 1983, according to the department's attorney general, scores of urban residents have been seized by men in civilian clothes, taken to military headquarters and "disappeared." General Noel has refused to appear before local court officials to answer these charges. Meanwhile, the Belaúnde administration has been accused of human rights violations by Amnesty International and, in a joint statement, by all the country's bishops. The President has denied these allegations, and has angrily denounced their authors. But clearly, Belaúnde has been unable or unwilling to control Peru's security forces.

On November 13, 1983, Peruvians went to the polls to elect officials for the nation's almost 1,700 municipalities. In spite of SL threats to kill citizens who dared to cast ballots, voter turnout was heavy. As expected, APRA emerged victorious, winning about 38 percent of the vote nationwide. The conservative PPC finished second. Although the Leftist Unity coalition placed third, it captured the major prize—the Lima mayoralty. Belaúnde's Popular Action party finished last, with a dismal 10 percent of the tally. Today Peru's fragile democracy, restored with great enthusiasm in 1980, is caught in a deadly cross fire between the Shining Path and the Palace of Pizarro, where Belaúnde's tenure has become very insecure. ■

BOOK REVIEWS

(Continued from page 83)

conspiracies against him. First the navy staged a coup which the army put down. The next coup in September, 1955, was engineered by the army and was successful. Perón fled.

Perón moved from Paraguay to Panama, where he met his third wife, Isabel; to Venezuela; the Dominican Republic; and finally, in 1959, to Spain. Often he sent conflicting directions to different leaders, which produced confused and failed results. Throughout his career Perón preached unity and cultivated disorder.

In a remarkable political comeback Perón returned to Argentina in 1973 and won the presidency with a 60-percent majority. He was in precarious health and the demands of office wore him out. He died on July 1, 1975. Isabel, who had been elected Vice President, succeeded him.

In his evaluation of Perón, Page states that "there is much to dislike—the cynicism, the utter disdain for truth, the lack of principle, the selfishness, the irresponsibility . . . the willingness to condone violence." But, he notes,

Beyond Argentina's borders he will be remembered for the high drama of his career rather than for his exercise of statesmanship. . . . Even within his native land his stature owes much to the mediocrity of his competitors and those who came after him. To his credit he legitimized the aspirations of millions of Argentines previously excluded from civil life. He gave the working class an enduring self-awareness and cohesiveness, brought social welfare to the poor, and permitted women to see . . . new possibilities of self-fulfillment. . . . His record, while far from perfect, stands in sharp contrast to the torture and killing that traumatized Argentina in the late 1970's. . . . Though he committed and tolerated many excesses in his day . . . he never converted his jails into slaughterhouses.

JUAN PERÓN AND THE RESHAPING OF ARGENTINA. *Edited by Frederick C. Turner and José Enrique Miguens.* (Pittsburgh: University of Pittsburgh Press, 1983. 268 pages, preface, notes, tables, photographs, appendix and index, \$24.95.)

Introducing this collection of essays, Frederick Turner states: "In contrast to emotional writings against Perón, the chapters that follow portray him and his movement as far more reasonable and rational than has often been acknowledged." The essays survey the important forces that contributed to Peronism—labor, the Church, Evita Perón, and the class system.

COLOMBIA: PORTRAIT OF UNITY AND DIVERSITY. *By Harvey F. Kline.* (Boulder, Colorado: Westview Press, 1983. 168 pages, tables, charts, photographs, notes, bibliography and index, \$18.00.)

PUERTO RICO: A POLITICAL AND CULTURAL HISTORY. *By Arturo Morales Carrión et al.* (New York: W.W. Norton & Company, 1983. 384 pages, introduction, photographs, notes, suggestions for further reading and index, \$19.50.)

THE NITRATE INDUSTRY AND CHILE'S CRUCIAL TRANSITION: 1870–1891. *By Thomas F. O'Brien.* (New York: New York University Press, 1982. 211 pages, map, tables, appendix, notes, sources and index, \$30.00.)

U.S.–PANAMA RELATIONS, 1903–1978: A STUDY IN LINKAGE POLITICS. *By David N. Farnsworth and James W. McKenney.* (Boulder, Colorado: Westview Press, 1983. 313 pages, notes, appendices, selected bibliography and index, \$23.00.) ■

THE MONTH IN REVIEW

A Current History chronology covering the most important events of December, 1983, to provide a day-by-day summary of world affairs.

INTERNATIONAL

Arms Control

(See also *NATO; U.S.S.R.*)

Dec. 8—In Geneva, the Strategic Arms Reduction Talks (START) end; the Soviet delegation refuses to set a date for resumption of the talks.

Dec. 15—In Vienna, the mutual and balanced force reduction talks are broken off when the Warsaw Pact delegates refuse to set a date for their resumption, because of the deployment of Pershing 2 and cruise missiles in the North Atlantic Treaty Organization (NATO) countries.

European Economic Community (EEC)

(See also *Spain*)

Dec. 6—An EEC summit meeting in Athens ends in deadlock over suggested cuts in farm spending and Britain's request for a \$4-billion budget refund.

Dec. 15—Voting 268 to 73, the European Parliament votes not to pay the more than \$1 billion due to West Germany and Britain on their contribution to the EEC's \$22-billion budget.

Dec. 22—A senior official announces that the EEC will not renew economic sanctions imposed on Poland after Poland declared martial law in December, 1981.

Lebanon Crisis

(See also *Palestinian Crisis, UN; Israel; Italy; Syria; U.S.S.R.; U.S., Foreign Policy, Military*)

Dec. 1—The president of the Supreme Druze Religious Court, Sheik Halim Takieddin, is killed by unidentified gunmen.

Dec. 3—The Israeli military command in Tel Aviv says that Israeli jets bombed guerrilla bases in the Syrian-controlled portion of Lebanon today in retaliation for yesterday's ambush of an Israeli soldier.

Dec. 4—After 2 U.S. reconnaissance planes are shot at by Syrian gunners, U.S. jets from carriers off the coast of Lebanon retaliate for the 1st time, attacking the Syrian anti-aircraft positions; 2 U.S. jets are shot down.

Dec. 5—A car bomb explodes in Muslim West Beirut; 14 people are killed and 83 are wounded.

The Syrian minister of defense says that the U.S. airman captured yesterday will not be returned until "the war" is over and U.S. troops leave Lebanon.

Dec. 8—The 4 countries with troops in the multinational peacekeeping force in Lebanon—the U.S., Great Britain, Italy and France—say that their troops will remain there indefinitely.

Dec. 14—The U.S. battleship *New Jersey* and other U.S. warships fire on Syrian anti-aircraft positions in retaliation for today's attack on 2 U.S. reconnaissance planes.

Dec. 15—2,500 Christian militiamen and townspeople are evacuated from the town of Deir al Qamar, which has been under siege by the Druze for the last 3 months.

Dec. 21—A truck bomb explodes outside the French military command post in East Beirut, killing 19 people and wounding 40.

Dec. 24—After French peacekeeping troops withdraw from positions in southern Beirut, fighting breaks out between Lebanese army troops and Shiite Muslim militiamen.

North Atlantic Treaty Organization (NATO)

(See also *Arms Control*)

Dec. 7—NATO defense ministers issue a communiqué stating that they approve continuing the deployment of Pershing 2 and cruise missiles while negotiating with the Soviet Union about arms limitation.

Dec. 9—NATO ministers issue the Declaration of Brussels, asking the Soviet Union to cooperate in working together to establish a long-term relationship based on "moderation." The alliance asks Soviet attendance at a mid-January East-West conference on disarmament in Stockholm.

Organization of Petroleum Exporting Countries (OPEC)

Dec. 8—OPEC's oil ministers give final approval to current levels of production ceilings and prices, extending a pledge made in March, 1983.

Palestinian Crisis

(See also *UN; Egypt; Greece; Jordan*)

Dec. 7—A mutual withdrawal agreement between the factions of the Palestine Liberation Organization (PLO) that have been fighting each other in Tripoli is completed.

Dec. 9—The Israeli military command says that Israeli gunboats have fired on forces loyal to PLO chairman Yasir Arafat in Tripoli.

Arafat asks France and Greece to supply warships to protect the evacuation; he calls on the United Nations (UN) to ask Israel to respect the neutrality of the ships evacuating the PLO.

Dec. 19—Israeli gunboats bombard the port of Tripoli.

Dec. 20—Arafat and 4,000 PLO troops leave Tripoli for Yemen, Tunisia, Algeria and the Sudan.

Dec. 22—Khaled Fahum, chairman of the Palestine National Council, says that Arafat has "lost his legitimacy" because of his meeting with Egyptian President Hosni Mubarak today.

United Nations (UN)

(See also *Palestinian Crisis; South Africa; U.S., Foreign Policy*)

Dec. 3—The Security Council gives unanimous approval to a suggestion allowing PLO leader Yasir Arafat to leave Tripoli under the protection of the UN flag.

Dec. 9—Voting 78 to 13 with 41 abstentions, the General Assembly accuses the governments of El Salvador, Chile and Guatemala of violating human rights.

Dec. 13—At the UN, Iran's delegate warns the U.S. and France that they have "lost whatever claim they had to maintaining peace and order" in Lebanon.

Dec. 19—The General Assembly votes 81 to 27, with 29 abstentions, to condemn the November U.S.-Israeli agreement providing for closer military cooperation.

Dec. 20—With the U.S. abstaining, the Security Council asks South Africa to withdraw its troops from Angola.

Dec. 21—Secretary General Javier Pérez de Cuéllar declares that a UN peacekeeping force would be more effective than the international force now trying to preserve order in Beirut.

AFGHANISTAN

Dec. 27—The government offers to ask for the removal of the

105,000 Soviet troops in the country if it receives international guarantees that resistance to its rule will end; rebel leaders reject the offer.

ANGOLA

(See *South Africa*)

ARGENTINA

(See also *U.S., Foreign Policy*)

- Dec. 8—Former President Isabel Martínez de Perón returns from self-exile in Spain.
- Dec. 10—Raúl Ricardo Alfonsín is inaugurated President, ending 8 years of military rule; he says his will be a "decent government."
- Dec. 16—Alfonsín announces that he has set up a commission to investigate the "disappearances" of more than 6,000 people during the military's rule.
- Dec. 20—Judge Carlos Oliveri indicts former President Reynaldo Bignone on charges that he was connected with the disappearance of 2 Communist draftees under his military command in 1976.
- Dec. 22—The Senate unanimously approves a law declaring that the amnesty for security forces decreed by the military government is "unconstitutional and irrevocably void"; the Chamber of Deputies has already approved the law.
- Dec. 27—President Alfonsín signs the law repealing the amnesty for military and security forces.
- Dec. 29—The Supreme Council of the Armed Forces begins court martial proceedings against 9 members of the former military government; former military Presidents Jorge Rafael Videla and Roberto E. Viola are among those being tried for ordering murder and mass torture against civilians in the late 1970's war against subversives.

BANGLADESH

- Dec. 11—Lieutenant General Hussain Mohammed Ershad declares himself President and dissolves his Cabinet.
- Dec. 12—President Ershad says that martial law will remain in effect until national elections are held in May, 1984.

BOLIVIA

- Dec. 14—Foreign Minister José Ortiz Mercado says that the entire Cabinet handed in its resignation today.

BRUNEI DARUSSALAM

- Dec. 31—The government of Sultan Muda Hassanal Bolkliah announces the country's independence from Britain.

BURMA

- Dec. 9—The government announces that 2 North Koreans convicted of killing 17 South Korean officials and 4 Burmese in October will be executed.

CANADA

- Dec. 15—Prime Minister Pierre Elliott Trudeau meets with U.S. President Ronald Reagan in Washington, D.C.
- Dec. 22—Newspapers in Toronto, Montreal and Ottawa report that about 3 weeks ago U.S. Under Secretary of State for Political Affairs Lawrence S. Eagleburger said that Prime Minister Trudeau's peace initiative is "akin to pot-induced behavior by an erratic leftist."

CHINA

- Dec. 6—A Foreign Ministry spokesman says that Prime Minister Zhao Ziyang's trip to the U.S. and President Reagan's trip to China will proceed as planned.

CYPRUS

- Dec. 2—The recently established Turkish Republic of Northern Cyprus announces the formation of a 70-member constituent assembly to draft a constitution and prepare legislation for parliamentary and presidential elections.

DENMARK

- Dec. 16—At the request of Prime Minister Poul Schluter, Queen Margrethe II dissolves Parliament; elections are scheduled for January 10.

EGYPT

(See also *Israel*)

- Dec. 18—U.S. special Middle East envoy Donald Rumsfeld meets with President Hosni Mubarak; he gives Mubarak a detailed description of the strategic "agreement" between the U.S. and Israel announced on November 29.
- Dec. 22—President Mubarak meets with Palestine Liberation Organization (PLO) chairman Yasir Arafat in Cairo.

EL SALVADOR

- Dec. 11—Visiting U.S. Vice President George Bush tells Salvadoran officials that the death squads are "the best friends the Soviets, the Cubans . . . and the Salvadoran guerrillas have."
- Dec. 13—The Constituent Assembly votes 34 to 26 to approve a constitutional measure that cuts by one half the amount of land available for redistribution under the second phase of the land reform program.
- Dec. 18—The head of the rightist National Republican Alliance and president of the Constituent Assembly, Roberto d'Aubuisson, announces that he is running for the presidency; elections will be held March 25. D'Aubuisson has been linked with right-wing death squads.
- Dec. 20—The National Police report that they have arrested an army captain accused of ordering the murder of 2 U.S. labor advisers in 1981.
- Dec. 27—The Constituent Assembly approves an extension of the land reform program that allows peasants to buy up to 17.5 acres of the land they rent.

FRANCE

(See also *Intl., Lebanon Crisis, Palestinian Crisis, UN; Iran; Kuwait; Spain*)

- Dec. 27—The government announces that it has ordered the expulsion of 11 Iranians in the last 3 days.

GERMANY, WEST

(See also *Intl., EEC; U.S., Foreign Policy*)

- Dec. 8—Chief Prosecutor Franzbruno Eulencamp formally charges Economics Minister Otto Lambsdorff with accepting \$50,000 in bribes.

GREECE

(See also *Intl., Palestinian Crisis*)

- Dec. 15—The government announces that it will send 5 ships to Tripoli to help with the evacuation of members of the PLO.
- Dec. 19—Prime Minister Andreas Papandreou joins Romanian President Nicolae Ceausescu in an appeal to the U.S. and the U.S.S.R. to suspend deployment of intermediate-range nuclear missiles in Europe.

GRENADA

- Dec. 15—The last 190 U.S. combat troops leave Grenada; there are only 300 noncombatant U.S. soldiers still on the island to help with police, intelligence and medical support.

The U.S. invaded Grenada on October 25, 1983.
Dec. 21—An interim government spokesman says that 6,000 Grenadians have signed a petition asking for Grenada's political association with the U.S.

HONDURAS

(See *Nicaragua*)

INDIA

(See also *U.S.S.R.*)

Dec. 25—Prime Minister Indira Gandhi's party wins 4 of the 5 states in which elections were held yesterday for lower-house Parliamentary seats and state assembly seats; the party of her estranged daughter-in-law wins the parliamentary seat in Uttar Pradesh, India's most populous state.

IRAN

(See also *Intl, UN; France*)

Dec. 25—Prime Minister Mir Hussein Moussavi announces that 3 French diplomats have been ordered expelled; France expelled 3 Iranians yesterday.

ISRAEL

(See also *Intl, Lebanon Crisis, Palestinian Crisis, UN; U.S., Foreign Policy*)

Dec. 5—Prime Minister Yitzhak Shamir tells the Knesset that the November agreement with the U.S. on strategic cooperation did not include any secret commitments or obligate Israel to take any military action in Lebanon.

Dec. 6—Four people are killed and 46 are wounded when a bomb explodes on a bus in Jerusalem; the 2 opposing factions of the PLO claim responsibility for the attack.

Dec. 22—The government denounces the meeting today between Egyptian President Hosni Mubarak and PLO chairman Yasir Arafat.

Dec. 27—Postal workers strike and tax collectors stage a slowdown to protest government inaction on inflation; the inflation rate for 1983 is expected to be 200 percent.

Dec. 29—Prime Minister Yitzhak Shamir meets with Egyptian Assistant Foreign Minister Shafei Abdel Hamid in Jerusalem.

ITALY

(See also *Intl, Lebanon Crisis*)

Dec. 20—Defense Minister Giovanni Spadolini announces that the Italian contingent of the multinational peacekeeping force in Lebanon will be gradually reduced from the current level of 2,100 men; Italy is committed to keeping at least 1,100 men in Lebanon.

Dec. 31—Government officials report that they have told the other member nations of the multinational peacekeeping force in Beirut that they are reducing their troops by half to 1,100.

JAPAN

Dec. 19—Results from yesterday's elections for members of the House of Representatives give the ruling Liberal Democratic party only 250 seats out of 511; the loss of 36 seats and its majority standing in the House is the largest loss ever suffered by the party. The 2d largest party, the Socialists, win 112 seats.

Dec. 24—Prime Minister Yasuhiro Nakasone says that his Liberal Democratic party's severe losses in the elections are attributable to the controversy surrounding former Prime Minister Kakuei Tanaka.

Dec. 26—Nakasone is formally elected to a 2d term as Prime Minister by the Diet; Nakasone has been able to form a coalition government with Conservative party members and

conservative independents in the House of Representatives.

Dec. 27—Prime Minister Nakasone tells a news conference that he will raise Japan's military spending.

JORDAN

Dec. 1—King Hussein says that he is ready to resume talks with the PLO over negotiations with Israel on the status of the West Bank.

KOREA, NORTH

(See *Burma*)

KUWAIT

Dec. 12—Truck and car bombs explode at the U.S. and French embassies and at 4 other sites in the capital city, Kuwait; at least 5 people are killed and 62 are wounded. A group called the Islamic Jihad takes responsibility.

Dec. 18—The government accuses 9 Iraqis and 3 Lebanese of the bombing; 10 of the men have been arrested and have confessed.

LEBANON

(See *Intl, Lebanon Crisis, Palestinian Crisis; U.S., Foreign Policy*)

MALAYSIA

(See *Thailand*)

MEXICO

Dec. 8—Finance Minister Jesús Silva Herzog announces that Mexico needs up to \$4 billion in new loans from international sources.

MOZAMBIQUE

(See also *South Africa*)

Dec. 3—Government officials tell the Reuters news service that 700,000 people are suffering from acute malnutrition and that thousands have died as a result of a drought that has affected most of southern Africa.

NICARAGUA

Dec. 1—Meeting in Panama City, leaders of the 4 guerrilla groups fighting the Nicaraguan government ask U.S. special envoy Richard B. Stone to arrange peace talks between the guerrillas and the Sandinista government.

Dec. 2—Foreign Minister Miguel d'Escoto Brockmann rejects talks with the guerrillas.

Dec. 4—The government announces an amnesty for all who have left the country since 1979 except former members of the defeated Somoza dictatorship and the leaders of the guerrilla groups.

Dec. 6—The government reports that a fisherman was killed when his boat was attacked by Honduran gunboats and planes last night.

Dec. 23—Monsignor Salvator Schlaefter, an American-born bishop who has lived in Nicaragua for more than 30 years, arrives in Honduras; the bishop says he led over 1,000 Miskito Indians out of Nicaragua and that his group was attacked by government forces.

NIGERIA

Dec. 31—Brigadier Saleh Abacha announces that the military has overthrown the government of President Shahu Shagari in a bloodless coup; Abacha says that Shagari's government was "inept and corrupt."

PAKISTAN

Dec. 23—President Mohammad Zia ul-Haq says that the Pakistan People's party, founded by Prime Minister Zulfikar Ali Bhutto, will not be allowed to govern again.

PHILIPPINES

- Dec. 2—Foreign Minister Carlos Romulo resigns.
- Dec. 5—President Ferdinand E. Marcos accepts a compromise formula developed by his party; the speaker of the National Assembly will take over as chief executive should the presidency become vacant because of Marcos's death or incapacitation.
- Dec. 18—President Marcos accuses the Catholic Church and the middle class, the "clergy-bourgeois clique," of trying to overthrow his regime.
- Dec. 23—In a speech before poor people about to receive government Christmas gifts, President Marcos says that claims that the government was involved in the killing of Aquino are lies spread by opponents and the "recalcitrant rich."

POLAND(See also *Intl, EEC*)

- Dec. 3—The government announces the formation of the Committee for the Observance of Law, Public Order and Social Discipline; the new committee is empowered to keep public order if protests occur over food price increases that will take effect in January.
- Dec. 10—Danuta Walesa, wife of Lech Walesa, who is head of the banned trade union Solidarity and winner of the 1983 Nobel peace prize, arrives in Oslo to accept the prize for her husband.
- Dec. 19—Jozef Cardinal Glemp, the Roman Catholic Primate, issues a statement calling on priests to "not deal in politics."
- Dec. 25—Cardinal Glemp announces that 30 political prisoners are being released by the government as a gesture of good faith to the Catholic Church.
- Dec. 26—Walesa says that the political prisoners released by the government will have to return to prison because the release is only temporary.
- Dec. 30—The Prices Ministry announces that food price increases scheduled for January will be postponed because of public opposition.

PORTUGAL

- Dec. 13—U.S. Secretary of State George Shultz and Foreign Minister Jaime Gama sign agreements extending the U.S. rights to air bases in the Azores for 7 more years; the agreements also call for an increase in U.S. military aid to \$145 million in fiscal 1984.

ROMANIA

- Dec. 10—President Nicolae Ceausescu asks the U.S. and the Soviet Union to resume negotiations on nuclear missiles.

SOUTH AFRICA(See also *Intl, UN*)

- Dec. 15—In a letter to the UN's Secretary General, Foreign Minister Roelof F. Botha says that South Africa is willing to begin to disengage its forces in southern Angola if Angola will disengage the South West Africa People's Organization (SWAPO) and Cuban troops in the same area.
- Dec. 20—Representatives meet with a delegation from Mozambique to discuss ending hostile actions against each other.
- Dec. 24—Defense officials report that a new offensive is under way in southern Angola against SWAPO guerrillas.
- Dec. 29—The government announces that its jets bombed SWAPO bases and Angolan anti-aircraft bases inside Angola yesterday.

SPAIN

- Dec. 21—Prime Minister Felipe González meets in Paris with

French Prime Minister François Mitterrand; he asks Mitterrand to help speed up deliberations in the Common Market on Spain's entry into the organization.

SYRIA(See also *Intl, Lebanon Crisis; U.S., Foreign Policy*)

- Dec. 18—The foreign ministers of Syria, Saudi Arabia and Lebanon meet in Damascus; they fail to agree on a new date for talks among the factions fighting in Lebanon.
- Dec. 19—The government announces that it has banned religious societies for engaging in illegal political activities.

TAIWAN

- Dec. 4—The ruling Kuomintang party captures 62 of the contested seats in the national legislature in elections held yesterday; the other 300 seats in the legislature are held by legislators who were elected for life in 1949.

THAILAND

- Dec. 22—At a formal ceremony in northern Thailand, more than 5,000 Communist sympathizers and guerrillas surrender to government authorities.
- Dec. 28—A Thai military official announces that a joint campaign against Communist guerrillas is being conducted with Malaysia along the 2 countries' common border.

TURKEY

- Dec. 7—President Kenan Evren formally asks Turgut Ozal, head of the Motherland party, to form a new government. Ozal's party won a majority in last month's elections for the 1st civilian government since 1980.
- Dec. 13—President Evren approves the Cabinet submitted by Prime Minister Ozal.

U.S.S.R.(See also *Intl, Arms Control, NATO; Afghanistan; Romania; U.S., Foreign Policy*)

- Dec. 3—Talks begin with Indian officials on a trade agreement for 1984.
- Dec. 5—Marshal Nikolai V. Orgakov, chief of the general staff and 2 other Communist party officials give a news conference in Moscow; Orgakov says that U.S. superiority in nuclear weapons "imperils" the Strategic Arms Reduction Treaty (START) in Geneva.
- A government statement from Tass, the official news agency, says that the Soviet Union condemns the U.S. retaliatory air attacks on Syrian positions in Lebanon.
- Dec. 14—Vladimir Danchev, a radio announcer who said that the Soviet forces in Afghanistan were "invaders," returns to work after psychiatric treatment.
- Dec. 26—President Yuri Andropov misses a meeting of the Communist party Central Committee; Andropov has not been seen in public since mid-August.
- Dec. 28—Andropov does not appear at the opening of the Supreme Soviet; this is the 3d major public appearance he has missed recently.

UNITED KINGDOM**Great Britain**(See also *Intl, EEC, Lebanon Crisis; Brunei Darussalam*)

- Dec. 17—A car bomb explodes in front of Harrods department store in London; 5 people are killed and 77 are wounded. Scotland Yard officials say that the Irish Republican Army (IRA) planted the bomb.
- Dec. 18—The IRA admits that its members set the bomb in London but claims that the bombing was not authorized by its leadership.
- Dec. 21—4 suspected IRA sympathizers are arrested by London police in connection with the bombing.

Northern Ireland

Dec. 7—The chairman of the Ulster Young Unionist Council, a Protestant political organization, is killed in Belfast; the IRA takes responsibility.

UNITED STATES**Administration**

Dec. 1—The Federal Communications Commission (FCC) gives formal approval to the processes involved in the final breakup of the American Telephone and Telegraph Company into 22 smaller operating companies.

Dec. 2—U.S. Court of Appeals Judge for the Second Circuit Irving R. Kaufman, chairman of President Ronald Reagan's Commission on Organized Crime, refuses to sign a White House secrecy pledge required of all panel members; Kaufman describes it as "offensive for a federal judge . . ."

Dec. 7—The Justice Department announces that it is dropping its 6-year antitrust investigation of the 4 American partners in the Arabian American Oil Company.

Dec. 8—Addressing the concluding session of the National Forum on Excellence in Education, Secretary of Education T. H. Bell proposes a 4-point plan to improve the nation's schools. At the same session, President Reagan calls for more discipline in the schools.

Director of White House communications David R. Gergen resigns his post to accept a fellowship at Harvard University.

In an interview with news agency reporters, Edwin Meese 3d, presidential counselor, says some people go to soup kitchens "because the food is free and that's easier than paying for it."

Dec. 9—In U.S. district court in Denver, the Justice Department sues the Shell Oil Company for almost \$1.9 billion in damages to the environment in the Denver area.

Dec. 23—President Reagan asks Congress to release \$50 million it has already appropriated for state and local agencies to distribute surplus food to the poor: the President's formal request is necessary to release the funds.

Administrator of the Federal Aviation Administration J. Lynn Helms resigns to return to private industry.

Dec. 27—U.S. Information Agency director Charles Z. Wick acknowledges that he has taped "a small percentage" of his telephone calls since January, 1983, without the caller's knowledge; in a December 26 *New York Times* interview, Wick denied secretly taping any calls.

Dec. 30—U.S. district court Judge Thomas F. Hogan temporarily halts the release of some 1.5 million documents of the Nixon administration to the public; he holds unconstitutional the section of the Presidential Recordings and Materials Preservation Act of 1974 that allows either House of Congress to veto the regulations governing their release.

Dec. 31—President Reagan authorizes a 3.5 percent pay increase for federal white-collar workers and a 4 percent increase for military personnel.

Civil Rights

Dec. 6—President Ronald Reagan appoints 3 more members to the U.S. Commission on Civil Rights.

Dec. 16—House Speaker Thomas P. O'Neill Jr. (D., Mass.) appoints 2 members to the U.S. Commission on Civil Rights; the Senate previously named 2 members.

Economy

Dec. 2—The Labor Department reports that the nation's unemployment rate dropped to 8.2 percent in November.

Dec. 15—The Commerce Department reports that the nation's foreign trade deficit increased to \$12 billion in the 3d quarter of 1983.

Dec. 16—The Labor Department reports that its producer price index declined 0.2 percent in November.

Dec. 21—The Labor Department reports that its consumer price index rose 0.3 percent in November.

Dec. 27—The U.S. Steel Corporation announces that it is eliminating 15,430 jobs, closing 3 plants and parts of more than 12 others.

Dec. 29—The Commerce Department reports that its index of leading economic indicators fell 0.4 percent in November.

The Commerce Department reports that the nation's foreign trade deficit was \$7.4 billion in November.

Foreign Policy

(See also *Intl, Arms Control, Lebanon Crisis, NATO, UN; Canada; China; Egypt; El Salvador; Grenada; Israel; Kuwait; Nicaragua; Portugal; Romania; U.S.S.R.; Zimbabwe*)

Dec. 1—In Washington, D.C., U.S. officials urge Lebanon's President Amin Gemayel to take steps to demonstrate that "the Lebanese government . . . has . . . the confidence of its people and of its army . . ."

Dec. 2—Deputy Secretary of State Kenneth W. Dam attacks right-wing terrorist groups in Latin America and says "we must help leaders who will oppose violence . . . and who will work for law and democracy."

Dec. 4—President Reagan declares "we are going to defend our forces" in Lebanon and continue to fly reconnaissance missions over Syrian positions there.

Secretary of State George Shultz asks the Soviet Union to press Syria not to widen the conflict in Lebanon.

Dec. 7—President Reagan says of the Soviet refusal to set a date for resumption of the Geneva strategic arms talks, the move is "more encouraging than a walkout."

Effective December 10, the State Department reports that President Reagan will end the U.S. ban on arms sales to Argentina

Dec. 10—In Rabat, Morocco, Secretary of State Shultz defends strengthened U.S.-Israeli ties against criticism by Arab leaders.

Dec. 14—At a news conference, President Reagan says that U.S. Marines will remain in Lebanon until the Lebanese government is in control of its territory or "there was such a collapse of order that it was absolutely certain that there was no solution to the problem."

Dec. 15—President Reagan meets with Canadian Prime Minister Pierre Elliott Trudeau at the White House. Trudeau is encouraged to "continue to seek ways of seeking progress in arms control."

The State Department reports that the U.S. will give Israel \$1.4 billion and Egypt \$1.1 billion in military aid in fiscal 1984; most of this money will be given as grants.

Dec. 16—President Reagan agrees to the revision and some tightened controls over textile imports.

Dec. 17—The State Department announces that under an agreement signed December 6 between West Germany and the U.S., Bonn will acquire 2,500 long-range Patriot non-nuclear missiles and 950 short-range Roland anti-aircraft missiles from the U.S. for defense; they will replace the Nike Hercules nuclear missiles now in service.

Dec. 22—The White House calls the meeting in Cairo of PLO leader Yasir Arafat and Egyptian President Hosni Mubarak "an encouraging development" for peace in the Middle East.

Dec. 23—The State Department sends to the White House a recommendation that President Reagan file notice of U.S. withdrawal from UNESCO unless the agency curbs some political activities objectionable to the U.S.

Dec. 24—President Reagan says "we are optimistic" that Middle East peace talks will resume.

Dec. 27—After reading the Defense Department report on the bombing of the U.S. Marine headquarters in Beirut on

October 23, President Reagan says that "If there is to be blame, it properly rests here in this office and with this President. I accept responsibility for the bad as well as the good."

Dec. 29—In Washington, D.C., the State Department announces the withdrawal of the U.S. from UNESCO (the United Nations Educational, Scientific and Cultural Organization), effective January 1, 1985. This "does not presage any wider disengagement from the U.N."

Jesse Jackson, who is seeking the Democratic presidential nomination, leaves for Damascus in a private attempt to persuade Syrian officials to release captured U.S. Navy flier Lieutenant Robert Goodman.

Dec. 30—The State Department says that Secretary Shultz will meet with Soviet Foreign Minister Andrei Gromyko in Stockholm on January 18.

Dec. 31—Jesse Jackson meets in Damascus with captured U.S. Navy flier Robert Goodman.

Labor and Industry

Dec. 19—The Amalgamated Transit Union members belonging to the Greyhound Local Unions agree to a tentative 3-year pact calling for wage cuts and other union concessions; the members end their 7-week strike and return to work.

Legislation

Dec. 7—President Reagan signs a bill outlawing the use of all illegal civilian drugs by the military; previously, the use of such drugs was not specifically prohibited under the Uniform Code of Military Justice.

Military

(See also *Foreign Policy*)

Dec. 8—According to a confidential General Accounting Office report, some details of which were released today, the Navy is neither ready nor able to deploy fully armed and equipped aircraft carriers and air wings should the need arise.

Dec. 19—The House subcommittee investigating the death of the 241 Marines in Beirut in a terrorist attack October 23 concludes that there were "very serious errors of judgment" by officers all through the chain of command that left the Marines vulnerable; the panel declares that Colonel Timothy J. Geraghty, Marine commander in Beirut, "bears the principal responsibility."

Dec. 21—Issuing the full text of its report of the bombing of the Marine compound in Beirut, the House subcommittee challenges several key explanations of the tragedy by General Paul X. Kelley, Marine Corps Commandant.

Dec. 23—The Department of Defense postpones publication of its own report on the terrorist bombing of the Marine compound in Beirut.

Dec. 26—Defense Department officials reveal that the government is investigating at least 6 companies in the semiconductor industry to see if they falsified records relating to testing electronic components used in missiles, ships, planes, and other weapons.

Dec. 28—The 5-member special Defense Department commission investigating the October 23 terrorist bombing of the U.S. Marines at the Beirut International Airport releases its report; it finds that U.S. forces and the Marine units in Beirut in particular were "not trained, organized, staffed or supported to deal effectively with that kind of warfare." The commission says that the Marine commander was supplied inadequate intelligence but that the whole U.S. "chain of command, down to and including the Battalion Landing

Team, [was] at fault . . . it also found there was a series of circumstances beyond the control of these commanders that influenced their judgment . . ."; the report concludes that "there is an urgent need for reassessment of alternative means to achieve U.S. objectives in Lebanon. . . ."

Political Scandal

Dec. 1—Rita M. Lavelle, administrator of hazardous waste programs for the Environmental Protection Agency, is found guilty by a federal jury of impeding a congressional inquiry and of perjury; the jury convicts her on four of five charges.

Dec. 17—*The New York Times* reports that according to public records, when he was Assistant Secretary of the Navy for Shipbuilding and Logistics George A. Sawyer approved noncompetitive contracts for companies that employed him before and after his government service.

Dec. 21—George A. Sawyer says he had no contact with contract decisions affecting his former employer, John J. McMullen Associates, while he was serving in the government.

Politics

Dec. 20—Chairman of the Democratic party Charles T. Mannatt says that Jesse Jackson, a contender for the Democratic presidential nomination, may present his demand for revised delegate selection rules at the January meeting of the Democratic Executive Committee.

Science and Space

Dec. 8—At Edwards Air Force Base, California, the space shuttle *Columbia* lands safely; the landing is eight hours late because of a series of technical failures.

Supreme Court

Dec. 5—The Supreme Court refuses to uphold the confidentiality of specific documents relating to the Chase Manhattan Bank; thus the public can look into facts in an ongoing battle involving fraud at the Irving Trust Company.

Dec. 13—The Court rules 5 to 4 to delay the execution of Alpha Otis Stephens 9 hours before his scheduled electrocution; the execution of 2 other convicted murderers is not stayed by the Court.

Terrorism

Dec. 14—Director of the Federal Bureau of Investigation (FBI) William H. Webster reports an increasing concern about terrorism in the U.S. although there has been a decline in terrorists incidents; there were 30 in 1983 compared to 51 in 1982 and a peak of 100 in 1977.

VATICAN

Dec. 27—Pope John Paul II visits in prison with Mehmet Ali Agca, the man accused of shooting him in 1982; the Pope says afterward that he forgave Agca.

VENEZUELA

Dec. 4—Preliminary results from today's presidential elections show that Democratic Action party candidate Jaime Lusinchi has defeated President Rafael Caldera.

ZIMBABWE

Dec. 22—The government releases 3 air force officers who were detained after they were acquitted of sabotage charges; the 3 men hold dual British-Zimbabwe citizenship.

Dec. 23—Prime Minister Robert Mugabe says that the reduction in U.S. aid from \$75 million to \$40 million reportedly because of Zimbabwe's votes in the United Nations is "extremely objectionable."



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